U.S., Ending Ban, Will Talk With Sinn Fein

By Thomas W. Lippman
Washington Post Service

WASHINGTON — President Bill Clinton on Monday lifted the long-standing ban on official contact with Sinn Fein, the political wing of the outlawed Irish Republican Army, and invited its president, Gerry Adams, to "begin a dialogue" with Washington.

After intense negotiations throughout the weekend, the Clinton administration also agreed to invite Mr. Adams to meet officials at the State Department on Tues-

Administration officials said these gestures were intended to reward Mr. Adams for his role in arranging the cease-fire anbunced by the IRA on Aug. 31. The the first serious opportunity in a generation to negotiate a peace settlement in Northern Ireland.

Mr. Adams, until recently a pariah and still officially a terrorist, has been legitimized by the cease-fire and been transformed virtually overnight into a legitimate diplomatic interlocutor.

But Mr. Clinton declined to allow him to be received at the White House, keeping what U.S. officials and diplomatic sources said was a promise to Prime Minister John Major of Britain.

British officials said they were still not entirely convinced that the IRA had forsworn violence, and they have been advocating caution in accepting Mr. Adams's promises at face value.

["We're neither surprised nor unsur-prised — we're not concerned," a spokesman for Mr. Major said in London, Reu-ters reported. "We've been keeping a close eye on Mr. Adams's visit and listening to what he's been saying. At the end we will collect our thoughts and make some re-

As recently as Friday, according to several sources, as the administration negotiated the lifting of the ban, the only U.S. official it was offering for a meeting with Mr. Adams was J. Michael Lekson, director of the State Department's office of Northern European Affairs.

But Mr. Adams wanted to see Vice President Al Gore at the White House, as several other political leaders from Northern Ireland have done this year.

"We thought we had the balance pretty well set," a White House official said, "but over the weekend the British press was portraying this as 'White House Shuns

Having taken the risk of granting Mr. Adams a U.S. visa last spring in an effort to show him he could gain more by peaceful talk than by violence, the administration did not want to be seen as shutting the door to him, this official said.

On Sunday, according to a White House statement Monday, Mr. Gore telephoned Mr. Adams to inform him that the ban on official contacts would be lifted.

At the same time, the national security adviser, W. Anthony Lake, offered a com-

See ULSTER, Page 4

Cargo Door Broke Off, **Ferry Videotapes Show**

About 4,500 Ships of Similar Design Are Now Deemed Potentially Unsafe

Compiled by Our Staff From Dispatches

TURKU, Finland - In a finding that could have major implications for the world's car-ferry industry, investigators said Monday that the huge front cargo door of the Estonia broke off after the locks failed, dooming more than 900 people to death.

Investigators in Finland, who studied 15 hours of videotape of the wreck lying 80 to 90 meters under the Baltic Sea, said the bow section, which hinges upward, had become completely detached from the ship. It was not found.

The discovery meant that many other ferries with similar moveable bow visors were considered potentially unsafe. About 4,500 ferries are in service around the world, many of them of the same roll-on roll-off type as the Estonia, where vehicles load at the rear and drive off at the front.

Swedish inspectors on Monday ordered the withdrawal from service of the ferry Lion Prince after discovering a crack in the frame supporting the bow door. The chief inspector, Erik Wedin, said the condition of the ship was "inexcusable." It runs between Varberg, Sweden, and Grena, Den-

In Britain, the Stena Sealink line withdrew the ferry Stena Felicity from service between Wales and Ireland after a locking pin on a bow door sheared.

Swedish investigators disclosed last week that before the Estonia disaster there had been several incidents with the bow doors on Baltic ferries, including one in which a boat took a large amount of water on its main vehicle deck.

Investigators believe that hundreds of tons of sea water poured onto the Estonia's car deck, making it impossible to control the ship as the water sloshed from one end of the giant deck to the other in a storm. Experts said that the lack of bulkheads, or retaining inner walls, on the ferries meant that even a relatively small amount of water on the deck could be disastrous.

In Tallinn, Estonia, the Estline, the Swedish-Estonian shipping company that owned the Estonia, said it would perma-

nently seal the bow doors of a sister ship, the Vironia, before it is put into service. Cars and trucks will have to load and unload through the stern doors.

The Finnish transport minister, Ole Norrback, said his government was considering banning bow doors altogether.

Operators like the fore and aft doors

because they enable crews to load and unload hundreds of vehicles quickly and thus increase a ship's productivity.

Videotape brought back by two Finnish undersea robots indicated that with the bow section dislodged, storm seas breached the water-tight door behind. This door hinged downward to double as a vehicle ramp.

"The watertight bow ramp that was located behind the visor is still in place, although there is a gap of about one meter along its top edge, which has allowed water to flow onto the car deck," the 11-member investigation team said in a statement. "The water inflow through the partly dis-lodged forward ramp has been of sufficient magnitude to result in a lack of stability and the capsizing of the ferry.'

The powerful lights aboard the robots ierced the darkness to reveal the Estonia lying in one piece, with many of its life-boats still attached. The ship is a tomb for hundreds of passengers and crew.

A member of the international investi-gating team, Olof Forssberg, said the film showed what had happened after the Estonia night ferry left Tallinn for Stockholm, but did not say why.

"The hardest question remains to be answered: Why did the locking mechanism fail?" he said, adding that it might be possible to remove parts from the wreck to

examine them.

Although the tragedy has cast doubt on the seaworthiness of this kind of roll-on, roll-off ferry, the Swedish co-owner of Estline said it would be a mistake to blame the

shipping operators.
"When we buy a ship and have all the documents, we think it's safe," Ronald

See FERRY, Page 4

In India, Problems of Modern Day Breed an Ancient Ill

By John F. Burns

SURAT, India - Driven by a breeze from the muddy Tapti River, the smoke spiraling from Lilaben Mensuklai's funeral pyre wafted suddenly across the courtyard at the open-air crematory here, prompting weeping men to clutch homemade masks of cotton cloth more tightly

"It is a sad business, sir, a sad business," said Mahendra Modi, caretaker at the Ashwini Kumar crematory, home to most of the victims remain sullen and wary,

moved sharply back as the smoke moved in his direction. In the shantytowns that sprawl down to the riverbank,

not even the dead are trusted, so great is the fear of contagion from the airborne bacteria that carry pneumonic plague.

Residents who have remained in the slums that were

*U.S. Troops Move In to Disband a Pro-Cédras Militia

who has overseen dozens of similar cremations since an epidemic of pneumonic plague began sweeping this ancient city two weeks ago. Like others at the funeral, he antibiotic pills that have recently become a universal

Like many others who have died, the 22-year-old Mrs. Mensuklal, the mother of six, will not figure in official lists. According to family members who carried her petal-strewn bier, she fell ill on Thursday night with

See PLAGUE, Page 4

Richest States' New Reality: World Is Not Theirs Alone

By Alan Friedman

PARIS - The battle over aid for developing countries that shook the Interna-tional Monetary Fund this week — triggering an unprecedented conflict between its richest member nations and Michel Camdessus, the embattled IMF chief goes well beyond the man himself.

Instead the dispute raises fundamental questions not only about the future role of the IMF but also about the nature of international economic relations between Group of Seven governments and the increasingly militant ranks of developing countries.

Put simply, for the first time since the North-South polemics of the 1970s, the poor countries are feeling their oats. Deficit-strapped rich countries may have to adjust the way they manage the world economy on the eve of the 21st century.

On one level Mr. Camdessus's standing among G-7 nations has been unquestionquarters came as the United States contin-ued to insist it had no intention of taking governments are angry at the way the IMF governments are angry at the way the IMF managing director openly sided with developing nations in seeking more than \$50 billion in new IMF reserves.

The result of Mr. Camdessus' partisan stance was that Third World countries felt hold enough to block a G-7 compromise proposal that would have offered \$23.4 billion worth of fresh reserves. Yet, in the end the developing countries achieved a Pyrrhic victory since not a penny of new reserves was approved. "We really do blame Camdessus for

egging on the developing countries," one

NEWS ANALYSIS

senior U.S. official said Monday. This official and a European colleague both accused the IMF chief of having "delusions

of grandeur." But the issue of Mr. Camdessus's personality is not the central question. Far more relevant is the growing reality that a number of developing economies are prospering rapidly and over the next decade or so they will gain in stature and political

China is an excellent example: It is not a G-7 member, but it will undoubtedly be among the most important economies on

See IMF, Page 8

of the military. In recent days, members of the paramilitary group had openly shot anti-junta demonstrators, killing at least three on Tuesday and five on Friday, and sealed off the streets leading to the head-quarters with razor wire, rolled five Sheri-Aristide supporters had been highly critical of what they called the slow pace of Washington Past Service PORT-AU-PRINCE, Haiti — U.S. dan tanks to the front of the Normandie

troops, backed by tanks, armored vehicles and helicopters, on Monday arrested members of Haiti's most feared paramilitary group, seized a large cache of weapons and then stepped back as jubilant crowds

ransacked the group's headquarters.
U.S. forces, who had been criticized for not moving swiftly against the Front for the Advancement and Progress of Haiti, bar, from where the group operated, pointed their guns at the buildings and began arresting those inside.

In all, 35 people were arrested, disarmed and taken away in trucks while a crowd of several thousand cheering Haitians stood by to roar their approval of the U.S. action. Several other arms caches were seized, some in the homes of wealthy supporters

there had been growing pressure to shut the group down. How and when to disarm civilian para-

military groups has been a central question for U.S. forces here, who are occupying the nation to create a stable environment for the return of the overthrown president, the Reverend Jean-Bertrand Aristide.

American efforts to disarm the Front and other groups tied to the army, which were hated and feared by most civilians here. Monday's taking of the Front's head-

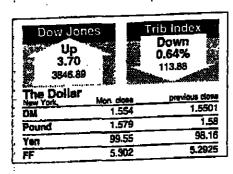
control of Haiti's internal security and

See HAITI, Page 4

'94 No Year of the Woman in U.S. Politics party in Illinois, she is also the first woman, in the nation with a female running mate, By Richard L. Berke Penny Severns. Yet Ms. Netsch rarely talks you're a woman." CHICAGO - When Dawn Clark

Netsch pulled an upset and won the Democratic primary for governor of Illinois in March, she seemed well on her way to following the trail blazed here two years ago by Carol Moseley-Braun on her way to the U.S. Senate.

Not only is Ms. Netsch the first woman nominated for governor by either major



to voters about the historic nature of her ticket, and her candidacy has generated

little enthusiasm among women or men. Unlike Ms. Moseley-Braun, a Democrat who drew support from Republican women, Ms. Netsch is having trouble winning over women in her own party and is stalled as much as 30 points behind Governor Jim Edgar in local polls.

"Nobody is really paying much attention," Ms. Netsch, the 68-year-old state comptroller, said in an interview at her campaign headquarters. "Maybe it's our fault for not having made more of it. But if you beat everybody over the head with it

constantly, then it sounds as if you're saying people should vote for you just because

While the professorial Ms. Netsch is a far different candidate in many ways from the youthful Ms. Moseley-Braun - and her sex is but one factor in her campaign her conflict over whether to emphasize the fact that she is a woman is emblematic of the conflicts faced by female candidates around the country.

The impressive gains by women in 1992 have left a complicated legacy for those running this year; many agree that being a woman is not the advantage it was two

See CAMPAIGN, Page 8



PULLING IN TWO — Demonstrators tearing apart a German flag Monday in Bremen. Anarchists rioted in the city on Unity Day. Page 2.

Kiosk

Agriculture Chief In U.S. Resigns

Agriculture Secretary Mike Espy, under investigation for accepting gifts from people or companies that do business with his department, resigned Monday. The former congressman from Mississippi had been one of four blacks in the Clinton cabinet. (Page 3)

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Poisoned Paprika Leaves a Bitter Aftertaste in the New Hungary

Newsstand Prices Andorra 9.00 FF Luxembourg 60 L. Fr

Washington Post Service BUDAPEST - Somebody is spiking Hungary's spice of life.

By John Pomfret

Sales of paprika, the sunset-colored powder that occupies pride of place in the spacious culinary pantheon of this Central European country, were suspended last week following the discovery of large amounts of lead-rich red paint lacing up to one-third of the paprika samples tested by the government. A nationwide manhunt against what a spokesman

for the National Police headquarters called "the big-

gest and most serious food adulteration case in the country's modern history" has netted 18 people so far. earn them significant booty. In a nation of 10 million people who consume almost a pound (one-half kilo-At least 40 people have been hospitalized with lead poisoning after eating dishes tainted with poisoned aprika. The crisis is so serious that Prime Minister Gyula Horn has appointed his deputy, Gabor Kuncze, to head the inquiry.

There are many theories about a motive - including an international conspiracy to destroy Hungary's export markets and schemes to hurt tourism here but the generally accepted reason is profit. According to police, nefarious dealers figured that cutting paprika with a toxic concoction of flour and paint could

gram) of the stuff per capita a year, they were not far

According to lawmakers and economists, the plot to taint Hungary's favorite spice could serve as a bitter lesson to this nation, which since 1989 has been in the forefront of former East Bloc countries emerging from four decades of communism. The scandal, they say, reflects the dangers of rushing wildly from an overly controlled economic system to an almost-unregulated

The fact that paprika is involved, they say, virtually

almost as proud of their paprika and their cuisine, the sole oasis in the culinary desert that is present-day Eastern Europe, as they are of their unusual language.

"Without paprika, we have no soul," said Gabor Szekelyi, the chef at Gundel, Hungary's most famous restaurant, situated near the Budapest Zoo. Mr. Szekelyi, who learned to cook in his grandmother's kitchen, calls the spice "the key to my art."

Paprika first came to Hungary in the 16th century by a circuitous route during the occupation of the See SPICE, Page 4

karani.

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By Alan Riding

New York Times Service PARIS - Having the first issue of his redesigned morning newspaper distributed at 2 P.M. was not what Serge ary, but with a daily circulation of July, the editor of Libération, had in 70,000 it expects to lose about \$8 milmind when he set out to overhaul the left-of-center tabloid.

problems fromed out, Mr. July was able to turn his attention to his main goal: capturing more readers and advertis-

lion to meet that objective, doubling the paper's size and adding sections while keeping its price the same. But years it, too, has had to join the scramnothing is sure in the convulsed French newspaper market.

its daily circulation has been level at 445,000 in 1980, its editor, Jean-Marie around 170,000 since 1988. It need not complain, though. Total sales of na- afternoon paper's loyal readers that tional dailies have fallen 15 percent nothing drastic will be done. since 1990, while newspapers continue to lose advertising revenue to magazines and television.

BREMEN, Germany — President Roman Herzog called on Germans on Monday to

show courage and flexibility in tackling the problems of reuni-

fication, while anti-unity dem-

onstrators clashed with police

Mr. Herzog was taking part in official celebrations in the

northern city of Bremen to

mark the fourth anniversary of

German reunification. But fes-

tivities were overshadowed by

the violence and the campaign

for general elections on Oct. 16.

got under way in Bremen's Congress Center, baton-wield-

ing the police detained 100 an-

archists who threw stones and

smashed shop windows in the

medieval town center. Seven of-

ficers were injured, a police

"We need courage like the air we breathe," Mr. Herzog said. He said that if "older people" did not manage to solve their

problems, then he hoped that at

least the young people would

divides us but much more what

already unites us, and above all,

how we can use our differing

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"Let us ask less what still

rise to the task.

As Monday's celebrations

as he spoke.

In Germany, a Riot

On the Day of Unity

This summer, one daily, Le Quotidien, suspended publication and went into receivership. A new, cut-price tabloid, Infomatin, was started in Janulion this year. Le Figaro, the national ft-of-center tabloid.

But a day later, with the technical seen its circulation fall to 378,000 from

432,000 in 1989. But perhaps the surest sign of the stations—notably TF1—have been turnoil affecting French papers is that ever-staid Le Monde will mark its 50th from newspapers. Liberation plans to spend \$38.5 mil- anniversary in January with its own radical redesign. After losing money or barely breaking even in the last five the public's appetite for up-to-theble for readers.

With Le Monde's circulation now While Liberation is still in the black, around 330,000, down from a peak of Colombani, has sought to reassure the

It was no coincidence that Mr. Co-capita basis, they are the world's larg-lombani announced Le Monde's est buyers of magazines but only the planned new look just days before Lib- 28th-largest buyers of newspapers.

experiences of life for the fu-

ture," he said. Mr. Herzog said it was un-

derstandable that many Germans in both East and West

were disappointed with unifica-

tion so far. East Germans, overwhelmed

by dramatic political and eco-

nomic changes, were worried by high unemployment and could not see any improvement com-

West Germans, on the other

hand, were angry about the

slow pace of economic develop-

ment in the East and the high

cost of transforming the region

into a market economy. Chancellor Helmut Kohl at-

tended the festivities as a guest

but took no active part. Last

week he canceled his Unity Day

television address to the nation,

saying he did not want oppo-

nents to accuse him of election-

night in which eight policemen

were hurt and 70 protesters

were detained after they set fire

tions went off smoothly after

the police cordoned off the area

and Bremen's cathedral, where

an ecumenical service was held.

to cars and looted shops.

Monday's clashes followed anarchist violence during the

ing, Mr. Herzog said.

ération unveiled its own face-lift. Lib- They read magazines because society family issues, public services and coneration's appearance on the market in 1973 posed a challenge to Le Monde. and to this day the papers compete, above all for the young and well-edu-

Both dailies, though, face a similar challenge. Since privately owned television channels were authorized here for the first time in the 1980s, these

And with all-news radio and television stations increasingly satisfying minute developments, advertisers and readers have been turning to weekly news magazines, among them L'Express, Le Point, Le Nouvel Observateur and L'Evénement de Jeudi, all of

which are prospering.
"The French have a passion for magazines," Mr. July said. "On a per-

is treated in a sophisticated and ex- sumer affairs. "The day when we could haustive way. That's why the recon- say we publish a special newspaper for quest of the daily press must pass a special reader is over," Mr. July addthrough magazines.

This strategy is more than apparent in the "new" Liberation, nicknamed Libe III because it is the daily's third

As of last week, Libération aims to offer more information - Mr. July even dares use the word "services" in a more friendly format.

For example, its World, France, Metro and Culture sections, as well as its new Yous section, now open with what might be described as an executive summary of their contents. And each carries some magazine-length ar-

The Vous section is a particular nov-elty for France, modeled, by Mr. July's own admission, after the nonnews sections of many American papers.

ed. "Society is no longer homoge-

Indeed, Libération's editor personifies this change. Now 51, he was a leader of the anti-government student movement that shook France in May 1968. When he began the newspaper 21 years ago as an outspoken defender of leftist causes, it had an assured readership in a highly politicized society.

But today, with the Socialists out of power, with many Frenchmen disenchanted with all political parties and with even university students more interested in finding jobs than in debat-ing the whithers of the nation, Mr. July is the first to argue that Liberation needs more than political messages.

His goal is to increase Libération's circulation to 240,000 by 1999. And, it would seem, he does not mind where It carries articles on health, fashion, the readers come from.

WORLD BRIEFS

French Party Faces a New Inquiry

PARIS (Reuters) — France's Justice Ministry ordered a new investigation Monday into the funding of the centrist Republication Party, a key ally of Prime Minister Edouard Balladur, in the land

in a series of corruption inquiries.

The party is headed by Minister of Industry Gérard Longues, himself the target of a separate investigation of his personal finances. In a further blow for Mr. Balladur's center-right cabinet, the singles out these countries of the singles out the singles. the new case is based on a judicial report the singles out three Republican Party leaders — Mr. Longuet, Defense Minister François Léotard and Minister of Enterprises Alain Madelin for possible investigation.

The report questions how the the party received unexplained multimillion-franc payments in banknote-stuffed suitcases and acquired its Paris headquarters on advantageous terms. Members of Parliament from across the political spectrum, starting their autumn session, have proposed bills to reform party funding to stop companies from buying influence. But the issue is not on the government-controlled agenda, and Mr. Balladur said Saturday government-controlled agence. that he was against over-hasty legislation.

Police in France Enforce Scarf Ban

LILLE, France (AP) — Police blocked a high school entrance here Monday to keep out about 20 Muslim girls who were seeking to dely a government ban on wearing Islamic scarves in public.

The girls tried to enter the school during a daylong protest by about 100 people, including the families of some of the girls.

The demonstrators shouted slogans denouncing Education Minister Francis Bayrou, who last month issued a directive to Francis much much in schools specificate that Islamia seasons and other French public schools specifying that Islamic scarves and other ostentations" religious apparel would be barred from class-

Official Defends China's Missile Sales,

WASHINGTON (AP) — Foreign Minister Qian Qichen of China denied Monday that Beijing's sale of missile technology to Pakistan violated an international accord designed to curb proliferation of dangerous weapons.

Only weapons used for the recipient country's legitimate self-defense are sold by Beijing, Mr. Qian said at a joint news conference with Secretary of State Warren M. Christopher. "China does not engage in the proliferation of weapons of mass destruction," he said.

The Clinton administration disagrees. It recently concluded that China's sale of M-11 missile technology violated the accord and punished China by depriving it of an estimated \$400 million to \$500 million in American technology.

Mandela, At UN, Asks for More Heip

UNITED NATIONS, New York (AP) - President Neison Mandela of South Africa urged the international community Monday to increase aid to his country, saying economic develop-

ment was crucial to the survival of democracy there. Delegates welcomed Mr. Mandela with a standing ovation as he entered the General Assembly for the first time as South Africa's

head of state. Mr. Mandela said the international community must join in the economic restructuring of South Africa, just as the United Nations used economic and political sanctions to press for an end to apartheid. "The possibility actually to create a nonracial and nonsexist society depends on our ability to change the material conditions of life of our people so that they not only have the vote; but they have bread and work as well," Mr. Mandela said.

Emergency Is Declared in Azerbaijan

BAKU, Azerbaijan (Reuters) - President Heydar A. Aliyev of Azerbaijan on Monday imposed a state of emergency in the republic.

The decree followed the seizure of the country's general prosecutor Sunday night by special police units demanding the release of jailed colleagues. The prosecutor, Ali Umarov, was released on Monday. News reports said government troops exchanged fire with members of the special police after his release. Mr. Aliyev called the actions of the special police a "coup d'etat."

Under the constitution, the president has the right to enforce a state of emergency that could stay in effect for up to 60 days without ratification by the Parliament. It establishes special rules for entering and leaving the country, media censorship and a ban on demonstrations and strikes.

Iran Wants UN to End Iraq Embargo

TEHRAN (AFP) - Iran has a strategic interest in having Iraq re-emerge as a regional power, a senior Iranian official said Monday as he called for lifting the United Nations against

For our national security and interest, there is nothing more vital than a stable and prosperous regime in Baghdad," the deputy head of the Parliament's foreign affairs subcommittee, Mohammed Javad Larijani, told the Iran News.

Mr. Larijani said it was in Iraq's interest to have "good neighborly" relations with the Islamic republic.

Visitors Outpace Hotels in Vietnam

Vietnam News reported. But Vietnam may have to turn away people hoping to visit its biggest cities if their numbers continue to grow, the paper said. Most of the tourists came from France, apan, Taiwan and the United States.

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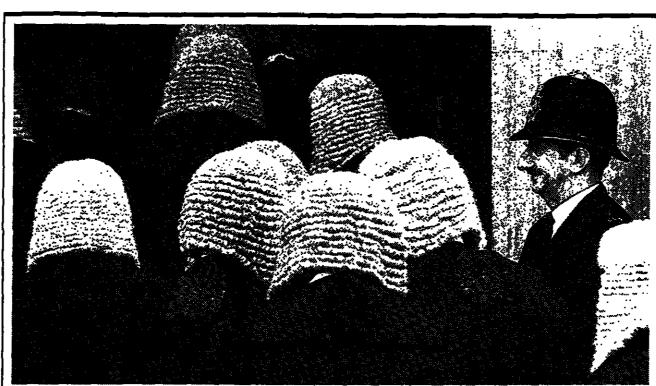
Only 54 percent of the country's hotel rooms meet international

KLM Royal Dutch Airlines plans to double flights to Detroit and Minneapolis/St. Paul from Amsterdam next year to twice a day. The extra flights to Detroit will begin on March 26 and to Minneapolis/St. Paul on May 1.

Syria expects to receive a record 2 million visitors this year, about 5 percent more than in 1993, Tourism Minister Amin Abu Shamat said in an interview.

dangerous foes and has regularly accused the Iranian government

Restrictions on tour flights over the Grand Canyon have not



ODD MAN OUT --- A London policeman making his own headgear statement as the annual procession of judges entered the Houses of Parliament on Monday. The judges march from Westminister Abbey to begin the legal year.

From Ex-Major, a Royal Pain Labor Party

The Congress Center celebra- Palace Dismisses His Tale of a Love Affair With Diana

LONDON - Buckingham Palace reacted with haughty disdain Monday to the publication of a book that alleges that Princess Diana had a

long love affair with a riding instructor.

"This is another grubby little book that does not bear wasting time on," a Buckingham Palace spokesman said.

Diana's lawyer called on the public to "show their contempt for those who seek to make money out of the unhappiness of the royal couple." "Princess in Love" is the story of James Hewitt, 36, a retired major, who asserts that he had an affair with the wife of Prince Charles, heir

to the British throne, beginning in 1988. The slim volume reports that Diana and Mr. Hewitt had romantic trysts at Kensington Palace, at Prince Charles's country seat, near the swimming pool at Diana's family house and at

the home of Mr. Hewitt's mother. The riding instructor, who is unmarried, served in the elite Life Guards regiment as a tank commander in the Gulf War. He left the army in

March on an \$11,000-a-year pension. A London libel lawyer said that if Mr. Hewitt Treason Act of 1351 and could face the death heir to the throne, said the lawyer, Mark Stephens. He said the aim was to "ensure that the heir to the throne is legitimate."

Diana, 33, formally separated from Charles.

BLACKPOOL, England —
45, in December 1992. They were married in Britain's Labor Party spelled On Sunday, newspapers rushed into print with

sold the story and that the book was to be cess. published Monday. The News of the World quoted Mr. Hewitt as having said that he and Diana had fallen in love conference that they had not

during the riding lessons and then had become betrayed Labor's commitment The book is the latest embarrassment for

Queen Elizabeth II over the love lives of her

Last week, the father of another daughter-inlaw, the Duchess of York, published a book implying that his daughter had had affairs with two Americans before separating from Prince ous circle of investment, growth Andrew in 1992.

Prince Charles acknowledged in June that he had made love to Diana, he had violated the had been unfaithful to Diana after their marriage. "became irretrievably broken down."

Paula Jones Gives Clinton a Week To Apologize or Face Her Lawsuit

Corbin Jones has given President Bill Clinton one week to apologize in a case of alleged sexual harassment or she will go ahead with a lawsuit against him, her attorney said.

"We are asking him to say: 'I am sorry for the untrue assertions which have been made about her, and which have adversely affected her character, good name and reputation," said her attorney, Gilbert Da-

Mrs. Jones, a former Arkansas state employee, has filed a hotel, but did not challenge her would say the president did not suit against Mr. Clinton for claim that they met there. suit against Mr. Clinton for claim that they met there. what she said were unwanted sexual advances made against her in May 1991 in a Little lawyers fell though, he said, af- any improper or sexual con-Rock hotel, when Mr. Clinton ter White House officials com-duct."

Mr. Clinton's private attor-

ney, Robert S. Bennett, said in a then makes no further reference New York Times Magazine ar- to the case for a month afterticle Sunday that teams of law- ward, the lawsuit will be yers had negotiated in May to dropped. stave off the expected lawsuit but that Mrs. Jones's backers were unprepared to accept Mr. Moscow, or South Africa or Clinton's "adamant denial" of the charges. Mr. Davis disputes this ver-

sion of events, saying that in comment on the ultimatum,

to authorize a statement saying reached. Mr. Chinton had no recollection

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WASHINGTON — Paula is suing for \$700,000. mented on the case, Mr. Davis said that if Mr. Clinton reads a similar statement by Oct. 9, and Mr. Davis said Mr. Clinton

> could read the statement "in wherever - I really don't The White House had no

May Mr. Bennett was prepared and Mr. Bennett could not be The statement Mr. Davis in-

of meeting Mrs. Jones at the sists that Mr. Clinton read The deal that Mr. Davis said Excelsior Hotel on May 8, 1991, was struck between the two and that "she did not engage in

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In U.K. Eases The act forbids adultery with the wife of the on Economy

out a moderate economic program Monday that it says will Mr. Hewitt's claim after word got out that he had form the basis for electoral suc-

But party leaders sought to to greater social justice in a move toward the center of British politics.

Instead of the vicious circle of economic failure, unemployment and more taxes to pay for failure, we will create the virtuand improvements in our health and public services," the economics spokesman, Gordon Brown, right-hand man of the party's new leader. Tony Blair,

told delegates. Labor leads the governing Conservatives by more than 20 percentage points in opinion polls and is regarded as the favorite to win the next election, due by mid-1997.

Mr. Brown announced plans last week to end Labor's image as a party wedded to high government spending for social programs paid for by high levels of tax, especially on the rich. But he told a conference anxious that the party may be moving too far from its socialist roots that a Labor government would abolish tax breaks for the rich.

"I'm serving notice on the Tory something-for-nothing elite, the insider dealers, the undeserving rich, the enemies of opportunity" who, he said, have starved the country of long-term investment."

that the party would stop company takeovers that were not in the public interest and that financiers "should invest in building factories, not in buying them up and stripping them down."

TRAVEL UPDATE

HANOI (AP) — Vietnam expects to see a 29 percent rise in the number of foreign tourists visiting this year, but its meager supply of world class accommodations threatens the boom, an official

About 650,000 foreigners visited Vietnam during the first nine months of the year, almost as many as in all of 1993, the state-run

standards, despite foreign investments in joint-venture tourism projects totaling \$1.3 billion. Most of the country's new hotels are being built in its commercial center, Ho Chi Minh City, and in the

Prime Minister Yitzhak Rabin's auti-terrorist adviser, General Labor's spokesman on indus-try matters, Robin Cook, said

Igal Pressler, issued a warning to Israelis on Monday not to take flights over Iranian territory. Israel considers Iran one of its most of being behind anti-Israeli attacks across the world.

resolved longstanding noise problems, and tougher controls on air tour operations will be needed, the U.S. Interior Department said



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THE AMERICAS / THE NEW DOCKE

Broke Law

The Associated Press

WASHINGTON — Agricul-ture Secretary Mike Espy, who is under investigation for accepting gifts from people or companies that do business with his department, resigned

The former Mississippi congressman was one of four blacks in the Clinton cabinet.

"I must personally overcome the challenge to my good name," Mr. Espy said. "The

president Mr. Espy said. The president deserves to have his agenda go forward with a minimum of distraction."

Mr. Espy said that he had "failed" himself by not being as "areful as he should have in the president of the should have in the should have the shoul managing some details of his personal finances. And he apologized to President Bill Clinton for any embarrassment he had caused the administration.

... But he said the allegations that he had improperly billed the government for travel or other expenses were "untrue and unfounded." Mr. Espy said he could not comment specifically on the allegations because of a pending investigation by a court-appointed special prose-

Ruth Harkin, who heads the Overseas Private Investment Council and was a candidate for the post the first time around, resurfaced as a possible replacement as agriculture secretary. She is the wife of Senator Tom Harkin, Democrat of Iowa. Mr. Clinton had also looked at Representative Jill L. Long Democrat of Indiana, and Representative Dan Glickman, Democrat of Kansas. The name of Representative Mike Synar, Democrat of Oklahoma, has been circulated for several top administration posts since he lost his bid for reelection.

Earlier today, Mr. Clinton pointed Mr. Espy out for praise at a trade event.

The White House chief of staff, Leon E. Panetta, said Sunday that Mr. Clinton thought Mr. Espy did a good job but warned that the presi-dent did not want his aides to engage in any conduct that raises questions about ethical behavior."

An independent counsel is trying to determine whether Mr. Espy violated federal law by taking gifts from organizations or people doing business the Agriculture Department. Mr. Espy received free tickets, lodging, travel and used government money to lease a

car he kept in Mississippi. Mr. Espy has denied any wrongdoing and repaid more than \$7,600 in expenses. Officials said he was concerned about the bad publicity.

Brazil Hopes Election Will Polish Image

New York Times Service RIO DE JANEIRO -- With a seasoned former finance minister leading in all opinion polls, analysts say the Brazilian presidential election Monday should strengthen democracy in Latin America and help restore Brazil to its role as the region's economic locomotive.

Confident of a victory by former Finance Minister Fernando Henrique Cardoso, foreigners have already invested billions of dollars in the country, pushing the São Paulo stock exchange index up 90 percent in dollar terms this year and making it the world's fastest grow-

ing exchange.
With the "lost decade" of the 1980s fading into memory, Brazil's economy is growing by 5 percent this year, twice the rate of Mexico's, the region's second

largest economy.

"I would not be surprised if Brazil is starting a decade of 6 to 7 percent annual growth. said Rudiger Dornbusch, an economics professor at the Massachusetts Institute of Technology.

The vote Monday will be only the second direct presidential election here since 1960, and is thus seen as strengthening a democracy rattled last year by separatist movements, calls to close Congress and a referendum on restoring the 19th-century monarchy.

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Espy Quits, 'Young' Court Faces But Denies A Weighty Session His Actions Will It Seek a New Consensus?

By Linda Greenhouse New York Times Service

WASHINGTON — The Supreme Court, its members collectively younger and newer than justices have been for many years, opened its new term Monday confronted by the legacy of its recent past.

Issues on which the court has yet to achieve closure or even much coherence are prominent on the docket, including significant challenges to federal affirmative-action programs and to long-running federal court supervision of school districts that were once segregated.

Nearly certain to be added as the term goes on is one or more voting-rights cases questioning the validity of districts drawn to increase minority representa-

issues. The new term will show young, but it is the second-whether the divisions will persist or whether the court, reshaped by new appointments, is ready to look for a new consen-

Any search for consensus will probably have to proceed with-out the participation of Justices Antonin Scalia and Clarence Thomas, who have shown themselves to be well to the

right of the court's center. In a separate opinion on the final day of the last term, for example, they suggested that the Voting Rights Act, as interpreted by Congress and the court for nearly 30 years, was unconstitutional, a view that no other justice endorsed.

The court's decision last week to add to its docket both the affirmative action case and the latest round of the 17-yearschool desegregation case suggosts an appetite on the part of at least some justices to confront issues that have lain dor-

tices may have been principally

calendar with ample room for additional cases.

Since 1988, when Anthony M. Kennedy took his seat, five justices have joined the court. Chief Justice William H. Rehnquist remarked on the rapid turnover at a courtroom ceremony Friday for the formal investiture of the newest justice, Stephen G. Breyer.

Noting that only four justices joined the court between 1972. when he took his seat, and 1986, when he became chief justice. Chief Justice Rehnquist, 70, said he was the first chief justice since Harlan Fiske Stone, who served in the 1940s, to also be the longest-serving member of the court.

The average age of the justices, who range from the 46-year-old Justice Thomas to 74-The court has been closely and bitterly divided on these year-old John Paul Stevens, is 60. That may not sound notably

The youngest court, with an average age of 58, was achieved through President Franklin D. ly 1940s. Before the recent appointments, the average age of

the justices was in the 70s.

Justice Breyer, 56, is in a position to make a fast start. From his more than 13 years as a federal appeals court judge in Boston, he is familiar with most of the issues before the court. Most of the other justices know him and hold him in high regard. And some of the older police officers in the building remember him as Steve Breyer, law clerk to Justice Arthur Goldberg in the 1960s.

Justice Breyer is widely expected to add his voice to arguold Kansas City, Missouri, ment sessions that, with the arrival last year of Justice Ruth Bader Ginsburg, were already the liveliest in years.

The court has accepted 48 cases for argument and will mant for several years.

On the other hand, the juston be to its docket over the number to its docket over the motivated by a sparse argument next few months.



GHOSTS FROM THE PAST - A woman painting white shadows in a Mexico City plaza to help serve as reminders of a clash between police and students demonstrating against an authoritarian government on Oct. 2, 1968, in which 49 people were killed.

Mexican Police Say Legislator Ordered average age of 38, was achieved through President Franklin D. Roosevelt's series of appointments in the late 1930s and early 1940s. Before the recent of the

New York Times Service New York Times Service

MEXICO CITY — A governing party legislator ordered the killing of a powerful official last week to prevent him from pushing forward sweeping political reforms, according to law enforcement officials. The legislator, Manuel Muñoz Rocha, is being sought by the police.

Investigators say they also believe that other killings may have been planned to block at-

killings may have been planned to block at-tempts to modernize the Institutional Revolutionary Party, or PRI.

The attorney general's office indicated that political revenge may also have played a part in the assassination Wednesday of José Francisco Ruiz Massieu, the secretary-general of the governing party, who was supposed to become leader of the party caucus in the lower house of the legislature in November. He was expected to have played a crucial role in brokering reforms promised by the president-elect, Ernesto Zedillo Ponce de Leon.

The officials are basing much of their case on the testimony of a man they say is a central member of the conspiracy, Jorge Rodriguez González, 44, who is said to be from Ciudad Victoria in Tamaulipas State.

Mr. Rodriguez González is the brother of Fernando Rodriguez González, the man identified by the confessed assassin, Daniel Aguilar Trevino, as having offered about \$15,000 for the murder of Mr. Ruiz Massieu.

Jorge Rodríguez González told the police that the killing was masterminded by Mr. Muñóz Rocha, a conservative governing party legislator from Tamanlipas who has opposed reform of the party. Fernando Rodríguez González is a consultant to the water commission of the lower house of the federal legislature, which is headed by Mr. Muñóz Rocha.

A statement from the attorney general's office quoted Jorge Rodriguez González as saying his brother had said: "There was a list of important persons in Mexico who would have to die because they support a series of reforms to modernize the country politically, which didn't sit well with Congressman Manuel Muñóz Rocha."

Jorge Rodriguez González also told the au-thorities that Mr. Muñoz Rocha had discussed Mr. Ruiz Massieu's murder with Abraham Rubio Canales, a jailed governing party official from the state of Guerrero who blamed Mr. Ruiz Massieu for his incarceration in a fraud case.

* POLITICAL NOTES*

Now, He's Hostage to U.S. Bureaucracy

WASHINGTON - A U.S. citizen is taken hostage in the Middle East and held for nearly seven years. After his release, while researching a book on the experience, he asks his government for its files on his captors.

The government says sure, but there's a catch. He must first get written permission from the terrorists who held himso that their privacy is not invaded.

That's exactly what the Drug Enforcement Administration has told a former hostage, Terry Anderson, that he must do before it will release files under the Freedom of Information Act about 10 men who kept him prisoner or were involved in doing so. Seeking the documents, Mr. Anderson last month filed suit in the District of Columbia against the drug agency and 12 other agencies.

"Before DEA can begin processing your request," the agency, a unit of the Justice Department, told Mr. Anderson in a 1992 letter, "it will be necessary for you to provide either proof of death or an original notarized authorization from that person." The authorization amounts to a privacy waiver.

Without the authorization, wrote John H. Phillips, chief of the agency's Freedom of Information Section, to confirm the existence of law enforcement records or information about another person is considered an unwarranted invasion of personal privacy."

Mr. Anderson argues that privacy rights under the Freedom of Information Act do not extend to foreigners living

And Here's My Sister, the First Lady

HOLLYWOOD, Florida - She laughed at his fat jokes. She made some fat jokes of her own. She smiled when he introduced her as "the main dish."

Looking pleased. Hugh Rodham campaigned in heavily Democratic Broward County over the weekend with the special out-of-town guest he introduced as "the first lady of the United States of America, my sister."

the United States of America, my sister."

The 44-year-old novice politician described his day on the trail with Hillary Rodham Clinton, 46, as "the crowning achievement" of his life. It was certainly the crowning achievement of a quirky primary campaign, run by their younger brother. Tony, which has attracted little money or support from the state or national Democratic Party.

A lower in the Minmi public defender's office until he

A lawyer in the Miami public defender's office until he decided seven months ago to try his hand at the candidate business, Mr. Rodham is locked in a tight contest for the Democratic nomination with a former radio talk-show host. Mike Wiley, another political novice. Mr. Wiley won 24 percent of the vote, against Mr. Rodham's 34 percent, in last

month's primary balloting.

The winner of Tuesday's runoff gets to face Florida's popular Republican senator, Connie Mack.

(NYT, WP)

Quote/Unquote

Kelly Myers, director of the University of New Hampshire Survey Center, which has been conducting polls of the Massachusetts Senate race, on Senator Edward M. Kennedy. 62, who is even in the polls in his race for a seventh term against the Republican candidate, Mitt Romney, 47: "Demographics is playing a part in this. He's struggling because a lot of his old core supporters are dying off."

(N)T)

War Crime Suspect Wins a Round

Justices Let Stand Fraud Finding in His U.S. Expulsion

preme Court dealt a possible Mr. Demjanjuk was a war crimblow Monday to the governinal. They have asked a federal ed States. ment's renewed effort to force judge to reaffirm a separate

In the government's appeal,

Mr. Days wrote that Mr. Demcountry as a Nazi war criminal. of his U.S. citizenship on the The court, without comment,

let stand a ruling that said Justice Department lawyers committed fraud in winning Mr. Demjanjuk's extradition to Israel in 1986. The 6th U.S. Circuit Court of

Appeals ruled last November that government lawyers de-frauded the courts by failing to turn over evidence in the retired Cleveland autoworker's favor.

Mr. Demjanjuk was convicted and sentenced to death in Israel in 1988 for being "Ivan the Terrible," a Nazi guard who tortured and killed Jews at the Treblinka death camp in Poland during World War II.

But Israel's Supreme Court overturned his conviction last

year as a case of mistaken identity. Mr. Demjanjuk was allowed to return to the United States in September 1993.

WASHINGTON — The Susaid they remain convinced that
government's efforts to expel
Mr. Demjanjuk was a war crimMr. Demjanjuk from the Unitgrounds that he lied about his past when emigrating to the

> The appellate court said gov-ernment lawyers should have disclosed statements from two Treblinka guards who identified another man as Ivan the Terrible. The government also should have disclosed conflicting statements from another guard and a list of Treblinka guards that did not include Mr. Demjanjuk's name, the court

United States.

Justice Department lawyers contended that the lawyers acted in good faith, and therefore the appellate court lacked the authority to reopen the case.

Solicitor General Drew S. Days III told the Supreme Court that the Court of Appeals decision, if left undisturbed,

Government officials have would very likely hinder the

janjuk's "service as an SS guard" and "his false statements concealing that service at the time he entered" the United States, rendered him subject to denaturalization even if he was not Ivan the Terrible.

The Supreme Court's move "has no bearing on whether he has a right to be in the United States under the law that excludes individuals who took part in Nazi persecution during World War II," Mr. Stem said. Mr. Demjanjuk has denied all war crimes allegations.

His lawyer urged the Supreme Court to turn down the government appeal, saying that the appellate court's "decision does nothing more than put the government on notice that in these cases the court will not

countenance a reckless disre-



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Away From Politics • The judge in the O.J. Simpson trial formally

proposed banning television cameras from the courtroom, and scheduled a Nov. 7 hearing on the matter. Separately, 61 percent of lawyers think that Mr. Simpson will not be convicted in his trial, the National Law Journal reported. Mr. Simpson is being tried in the deaths of his ex-wife, Nicole Brown Simpson, and her friend Ronald Goldman.

 Two Canadian tourists were jumped and beaten in Clearwater, Florida, after leaving a nightclub, and authorities had no motive. One of the visitors, Serge LaRoche, 34, said, "Maybe they were attacking us because we were speaking French." His companion, Harold Sergerie, 28, was in critical condition; Mr. LaRoche was treated and released.

 More than one in four pregnancies ends in abortion in Canada as more and more women turn to private abortion clinics, the government said. Canadian women had 100,497 abortions in 1992, up nearly 6 percent from a year earlier, giving the country about 25.2 abortions for each 100 live births.

• Maine has suspended a tough new program of automobile-emission testing. Only two months after the program had begun, Maine decided in the face of citizen fury to drop it while efforts were made to work out the kinks. • The Costa Rican foreign minister, Fernando Naranjo, was robbed of more than \$800 cash outside the Philadelphia Museum of Art, the

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New Therapy Said to Delay AIDS Onset

LONDON - Researchers said Monday that they had conclusive evidence that an experimental AIDS treatment using plasma transfusions delays the onset of the disease in HIV-positive patients and prolongs the lives of AIDS sufferers.

Dr. Abraham Karpas, of the department of hematology at Cambridge University, said, however, that although Passive Immune Therapy, or PIT, was a "break-through" in treating AIDS and had no known side effects, it should not be described as a cure.

"It is definitely not a cure," Dr. Karpas said in a presentation to a London conference. "There is no cure in sight, but it looks as if it is the best form of treatment."

Dr. Karpas said U.S. and French studies on the therapy released at the conference confirmed his original research.

"Their double-blind, placebo-controlled studies showed that this treatment benefits AIDS patients and prolonged their survival. AIDS patients and prolonged their surviv-

al," he said in a telephone interview. Hemacare Corp. of California and two Paris hospitals, also showed that PIT helped to delay the onset of full-blown AIDS, or Acquired Immune Deficiency Syndrome, in people who tested positive for HIV, the virus that causes the deadly

Under PIT, patients receive a monthly transfusion of half a liter (one pint) of plasma taken from healthy, HIV-positive individuals. The blood has the red and white cells removed and is free of the human immunodeficiency virus, but has high levels of neutralizing antibodies that

"he said in a telephone interview. The Hemacare trial studied the effects of PIT on 220 AIDS patients over three years. It found that in the first 12 months, the mortality rate was greatly reduced in the group that received the plasma transfusion, while those in the control group, where no treatment was given, had a death rate of five times higher.

The treated group had one death in 21 people, while the placebo group had six deaths in 30.

Moreover, the number of AIDS-linked infections was far lower in the treated group, and the blood donors themselves also appeared to benefit. The researchers said donating blood appeared to stimulate the production of neutralizing antibodies Dr. Karpas said he discovered in 1985 in the blood of HIV-positive patients.

Just a Few UN Convoys Are Rolling Again in Bosnia

SARAJEVO, Bosnia-Herzegovina — Some United Nations convoys blocked by Bosnian Serbs in retaliation for a NATO air strike progressed Monday, but the main civilian aid effort remained at a standstill.

UN peacekeepers said the Serbs gave permission for seven UN military supply convoys to cross their checkpoints.

The United Nations High Commissioner for Refugees sent two relief convoys from Belgrade to the Bosnian border to try to reach the Muslim enclave of Gorazde in eastern

freedom of movement in Serbheld territory will come Tuesday, when peacekeepers and the refugees agency plan to have 29 convoys on the road.

Sarajevo's airport, gateway to three-quarters of the relief on which the Bosnian capital depends, was shut for an eighth day, as UN negotiators met the armed forces of the Bosnian Serbs to seek guarantees that aid planes could fly safely.

The Bosnian Serbs' leader, Radovan Karadzic, had agreed to let convoy operations resume Sunday, but word of the agree-

The U.S. defense secretary.

William J. Perry, said Monday that he expected NATO to make more vigorous use of air power against Bosnian Serbs.

But the senior UN official in the former Yugoslavia, Yasushi Akashi, appeared to stick to his more cautious approach to the use of air strikes against the Mr. Perry met Mr. Akashi,

together with top NATO and UN military commanders, amid a rift over how to use alliance air power to bring the Bosnian Serbs into line.

Asked by reporters whether peacekeeping troops.

The main test of the UN's ment apparently did not reach tougher air strikes could now be endown of movement in Serb-the checkpoints. to expected, Mr. Perry said: "I think we are going to see a judi-cious use of air power, which I believe will be more robust, will be more effective.

Mr. Akashi, asked the same question, replied: "I cannot comment on that."

He added: "We have agreed on close cooperation to make sure that there will be judicious use of air power."

The UN has been unwilling to call in anything more than token air strikes because of the risk of reprisals by Bosnian Serbs against its lightly armed

SPICE: Poisoned Paprika Leaves a Bitter Aftertaste in the New Hungary

Ottoman Empire. Native to Central America, paprika, like tomatoes and corn, were transported to Europe by sailors. Hungarian books devoted to paprika research say the seeds crossed the Atlantic aboard Christopher Columbus's ships. The spice then traveled to the Ottoman Empire and the great trading city of Istanbul, where it quickly became a popular substitute for more expensive black peppercorns.

After they invaded Hungary in 1526, the Turks grew the plant here but, in order to preserve a lucrative monopoly, banned Hungarian peasants from cultivating it. By the late 17th century, the Turks had been driven out and Hungarians were growing it themselves.

mentioned the spice's importance to everyday life in the 19th century. Hungary currently produces about 6 percent of the world's supply of paprika, varying its flavors from fireball pungent to sugary sweet.

According to Hungarian politicians, it was the somewhat disorderly breakup of another monopoly that led to the recent paprika crisis.

Before 1989, two state-owned mills dominated the paprika market in Hungary. But with the collapse of communism in Eastern Europe, a widespread liberalization occurred in food and quality control went out the processing. Within two years, 70 mills, all of them private. Now, there is hope the govwere grinding the product.

plete breakdown in government quality controls. Scandals involving fake vodka in Poland, bad cigarettes in Bulgaria and bogus coffee beans in Czechoslovakia were commonplace. Such problems did not help an agricultural sector already reeling from the changes.

'It really was a childish type of liberalization," said Pal Juhasz, a former foe of Communist rule and now a member of Parliament who represents the paprika-producing region of Basc. "Everybody was given a license to produce anything.

ernment will step in and reinsti-The economic and political tute stricter methods to ensure changes throughout the former that poisons do not find their uns were growing it themselves. Warsaw Pact countries were ac-Hungarian cookbooks first companied by an almost com-Kmetty, president of the Buda-

pest Chamber of Entrepreneurs and Traders.

Mr. Kmetty, 48, a grizzled businessman, runs a stand in Budapest's newly renovated main market, an awe-inspiring example of late Austro-Hungarian Empire architecture in the heart of this beautiful city.

"It's obvious the government is just pumping up this crisis as a way to reassert some control over the market," Mr. Kmetty said as housewives picked over his formidable stocks of fruit and garlic. "Nobody pays taxes here. Nobody pays lines. This is the only way they can get peo-ple to realize this kind of thing is important."

Asked about his own paprika stocks, Mr. Kmetty smiled. 'I've got a good source," he



Prince Hassan addressing reporters Monday as Mr. Clinton and Mr. Peres listened.

Rabin Wins Lawmakers' Support For Peace Initiatives With Syria

monitor any peace treaty signed with Syria. In an impassioned defense before the open-ing session of Israel's Knesset, Mr. Rabin also noted Syrian "willingness to be a partner in the effort for peace" and predicted an Israeli-Jordanian peace treaty would be signed by

The 53-to-41 vote gives the prime minister a stronger political hand to press negotiations on a treaty with Syria, which will entail an Israeli withdrawal, in stages, from the occupied Golan Heights.

The vote was also a welcome respite for Mr. Rabin, who in recent weeks has had to contend with a rebellion within his Labor Party, an emotional 19-day hunger strike by Israeli settlers on the Golan and attacks from the rightist Likud party. All were set off by Mr. Rabin's reported readiness to withdraw from

the Golan in order to secure peace with Syria.

Mr. Rabin noted that his policies had

bia and five other Gulf states to drop the secondary boycott of companies doing business with the Jewish state, and a string of

lan, Mr. Rabin said that his supreme obligaian, Mr. Rabin said that his supreme conga-tion as prime minister was to examine every possibility for peace. He said: "I would like to ask you, my friends on the Golan Heights, What must we do? Not try? Not make an effort to reach peace? Reject out of hand the

leaders of Jordan and Israel met with President Bill Clinton in Washington to report progress on planning several joint economic projects, and U.S. officials said that the two former enemy states hoped to achieve a comprehensive peace treaty by the end of the year.

By Caryle Murphy

Washington Post Service
JERUSALEM — After weeks of turmoil in Israel's governing coalition, Prime Minister Yitzak Rabin won parliamentary approval Monday for his foreign policies, which he said would include a request for U.S. troops to

the end of this year.

brought Israel historic agreements with the Palestinians and Jordanians; relations with Morocco and Tunisia; a move by Saudi Ara- tween these two ancient lands."

first-ever visitors, including one starting t Tuesday by China's deputy prime minister. "In recent weeks, we have discerned indica-

tions of Syria's willingness to be a partner in the effort for peace," he said, adding, "We have no intention of ignoring these signs." Addressing the 13,000 settlers on the Go-

possibility of putting an end to all the wars?"

In another positive development Monday,

Crown Prince Hassan of Jordan and Foreign Minister Shimon Peres of Israel conferred with Mr. Clinton for an hour at the White House. The three emerged to describe a series of joint economic, environmental and tourism ventures that the president called "the building blocks of a modern peace be-

FERRY: Cargo Door Broke Loose, Videotapes Show

Continued from Page 1

Berman, managing director of Nordstrom & Thulin AB, told

"And then we give it good service and things like this happen. It's terrible.

Swedish maritime inspectors have said the Estonia disaster might have been averted if the

cidents with the bow doors. Mr. Wedin, the Swedish inspector. said the cracks in the Lion Prince, for example, must have been apparent for some time.

"We think that given the kind

of crack it is, it should have been discovered in previous in-spections, because it did not crew were "of no less quality" happen in one night," he said in than any other in the Baltic Sea.

In Tallinn, Estline officials rejected suggestions made by Swedish unions and in the Swedish press that the Estonian crew might have been incompe-

A board member, Sten Cris-

UN Agency Says India Is Gaining On Plague

Compiled by Our Staff From Dispatches NEW DELHI - India has now established a well-organized campaign against its plague outbreak, and the prob-lem could be over in days, the World Health Organization said Monday.

"By Thursday or Friday we will know for sure if the outbreak has been contained or not," said a spokesman for the UN agency, Jitendra Tuli, adding that most of the signs were

"Up to the last few days it was a fire-fighting operation," he said. 'Now the Indian government has got down to a sys-

tematic campaign."

Despite the optimism, some foreign airlines and governments continued Monday to impose restrictions on travelers to and from India.

Indian officials said that, as Indian officials said that, as of Monday morning, the total number of people entering hospitals complaining of possible plague symptoms was 4,200. They said 149 sought treatment overnight Sunday.

The outbreak began Sept. 20. The number of confirmed plague cases was not immediately available, but officials said about 90 percent of the suspected cases tested in Delhi

were negative. "We are now on our way to recovery," said Health Secretary M.S. Dayal.

No confirmed victim of pneumonic plague died over the past 24 hours, and the nationwide death toll was unchanged at 51, with all but two of the deaths in or near the western city of Surat, where the outbreak erupted on Sept. 20.

Transfers Ai

That Airways International said Monday that it would not accept travelers from New Delhi "until the plague situation is under control," but would ac-cept passengers at Calcutta who pass health screening. The Dutch airline KLM said

Monday that it had introduced new safeguards against plague on its flights from India and would begin disinfecting all air cargo. The airline earlier had said it would deny boarding to passengers showing plague symptoms.

Six international carriers from the Middle East, including airlines in Saudi Arabia, Kuwait and the United Arab Emirates, had earlier canceled flights to and from India. Qatar sent an airliner to help evacuate hundreds of its nationals from

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HAITI: Closing Down a Militia

Continued from Page 1

police functions. But members of the Front in the buildings Monday apparently called their police allies for help when U.S. troops rolled up. A white double cabin pickup truck of armed Haitian policemen appeared on the scene brandishing automatic weapons. American troops with their M-16s at the ready surrounded the vehicle.

After a brief staring match, the U.S. troops took the Haitians out of the pickup truck, confiscated their weapons. confiscated their weapons, handcuffed them, gagged them with tape and placed them in the back of a large American truck. The policemen then had the handcuffs and gags removed, were driven away and released. U.S. officials said the policemen had been taken away because the crowd was ready to

When the crowd lost its fear that the paramilitary group might somehow respond, it poured into the streets, forming lines of dancers that sang pro-Aristide and pro-American slo-

Men and women, old and young, approached the American military vehicles to touch the tanks or shake the hands of the smiling troops.
"We are free, liberty, liber-

ty," yelled one woman who tried to kiss every American she yelled one woman who

for the spate of violence against Aristide supporters since U.S. troops began occupying this impoverished nation two weeks

ago.
The takeover of the Front's headquarters came a day after U.S. troops arrested four top leaders of other paramilitary loum, chief adviser and head of

sumed control of the nation. He government and the lessons for said Mr. Halloum and others the future. who hold U.S. citizenship could be turned over to the U.S. Justhat is at the core. tice Department.

in an exchange of gunfire with unidentified Haitians in the southern town of Les Cayes at first American combat casualty here since U.S. troops arrived.

General Shelton said the soldier, whose name was not given The Front, formed in August pending notification of family 1993 to oppose the return of members, was hit in the abdo-Father Aristide, is accused by men and was in stable condihuman-right groups of killing tion. He said it appeared the hundreds of Aristide supporters American soldier had wounded in the past year. It is believed by or killed his assailants in the U.S. officials to be responsible gunfight.

wrote to Mr. Adams on Sunday

ment meeting would be "the be-

ginning of a process of engage-ment with Sinn Fein that would

ULSTER: U.S. Switches Policy

Continued from Page 1

promise on the meeting schedule: Mr. Adams is not welcome at the White House, but he will meet at the State Department with a U.S. team headed by John Kornblum, senior deputy assistant secretary of state for European affairs.

Also in the meeting will be adviser, Leon S. Fuerth, and the ton can be helpful in the various badly polluted. At least a half-national Security Council staff director, Nancy E. Soderberg.

The White House released the text of a letter that Mr. Lake to the text of a letter that Mr. Lake the text of a letter than Mr

Mr. Gore's national security he said, include how Washing- from community taps that are

fever and chest pains, and died before noon on Friday. On her death certificate, officials at the Maskati Charitable Hospital wrote ambiguously: Fever (unconfirmed).

Continued from Page 1

Many things are likely to regroups that have terrorized the main uncertain in Surat, the industrial boomtown that is the civilian population. Among dustrial boomtown that is the those arrested was Romeo Haloutbreak to strike anywhere in security for the army com- decades. The official death toll mander, Lieutenant General is 51, with nearly 800 others Raoul Cedras. Mr. Halloum's under treatment or hunted by group was known as the "Nin- the police after fleeing isolation jas" because members dressed wards. But unofficial accounts all in black, keeping their faces suggest that the real number

may be several times higher. Lieutenant General Henry

H. Shelton, commander of U.S. India, with close to 3,000 patroops here, said Monday that tients now under treatment, it is the said to be a second of the sai those arrested were being held less the dispute over the death in Harti by U.S. troops and toll that is attracting attention would be turned over to the than what caused the outbreak, Aristide government once it re- how it has been handled by the

On all these issues it is Surat

Located a short distance up General Shelton said one the Tapti River from the Arabi-American soldier was wounded an Sea, Surat became India's first major gateway for European traders in the 17th century. southern town of Les Cayes at For at least 250 years, the city midnight Sunday. It was the remained a more important center than Bombay, 260 kilometers (160 miles) south, which eventually eclipsed Surat in the 19th century as India's com-

mercial hub. In the last 20 years, as a boom in small textile plants and diamond-cutting workshops has drawn hundreds of thousands of migrants, more than doubling the city's population to 2 million, Surat has begun to regain its importance. It is now the 12th-largest city in India.

But it has also become a metaphor for India's prban ills. Half the population lives in saying that the State Departmore than concrete shells, or in squalid hovels made of wood, increase as events progressed in Northern Ireland toward peace."

In the short increase as events progressed in plastic sheeting and oil drums beaten flat.

no sewers and no running wa-The topics the Clinton adter. Most slum-dwellers take ministration wants to discuss, their water from the river or

PLAGUE: Modern City and Old Ill ens of other cities in India. But there may be nowhere quite as

bad as Surat. Last month, 80 days of monsoon rain caused the Tapti to overflow. When the waters receded, they left a sea of mud and dead animals and refuse that remained uncleared.

On Sept. 18, nine days after the floodwaters began to recode, the first two victims of the plague were brought to the New Civil Hospital. By then, newspapers were re-

porting a bubonic plague out-break 500 kilometers away in Maharashtra state, in an area devastated by an earthquake in October 1993. Bubonic plague, transmitted from rats to humans by fleas, is a less contagious form of the

Medical textbooks say that the less common but more deadly form of the disease, pneumonic plague, generally develops from bubonic plague. The theory among doctors in Surat is that a migrant worker may have brought the disease here from Maharashtra in early.

September. At the hospital, the first two victims were examined by a team led by Dr. Dinesh Shah, 50, an epidemiologist who became the hospital's medical superintendent in August. Dr. Shah said the men's

symptoms — a slight fever. pains in the chest, coughing up sputum, bleeding from the nose and mouth — were first diagnosed as bronchial pneumonia.

Then, on Sept. 20, barely 24 hours after admission, the two

men died, while doctors were still puzzling over the diagnosis. Some Indian medical experts have criticized the doctors in Surat for not immediately making the link to the bubonic: plague outbreak in Maharashtra, an oversight that delayed the establishment of isolation wards for at least two days.

But Dr. Shah said doctors anywhere in the world would have been puzzled. Who could have expected plague, after 40; years of no cases?" he asked.

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Japanese soldiers taking up their Rwandan relief duties in Goma, Zaire, on Monday.

UN Transfers Aide Who Defended Tutsi

KIGALL Rwanda — The United Nations dismissed its military spokesman Monday amid controversy over alleged reprisal killings by troops of the new Rwandan govern-

Major Jean-Guy Plante of Canada will bead a military police detachment in Kigali effective immediately, said the executive di-rector of the UN mission in Rwanda, Abdul Kabia.

"There is a change in emphasis," Mr. Kabia said at a news conference, adding: "We are emphasizing humanitarian and support services we are giving to the country."

Tentern City and 🕼

Last week, Major Plante defended the Tutsi-led Rwanda Patriotic Front after it was accused of systematic revenge killings against the majority Hutu ethnic group. He said UN troops had found no evidence of new killings on a wide scale.

Major Plante said the allegations, mostly by the UN High Commissioner for Refugees, were part of a plot to discredit the United Nations and the new government installed by the Tutsi rebels in July.

Last week, the UN secretary-general, Butros Butros-Ghali, ordered UN officials to keep silent about the alleged vengeance killings pending an investigation of allegations by the refugee agency.

U.S. Drafts a Big Military Thaw With China

By Michael Richardson International Herald Tribune

SINGAPORE — The commander of American forces in the Pacific says the United States plans to intensify military contacts with China, including the holding of joint exercises, as part of a strategy to gain Chinese support for new security arrangements in the Asia-Pacific region.

Such a move would mark a major thaw in military ties between the United States and China, which were frozen by Washington in 1989 after Beijing called in the army to crush large-scale pro-democracy pro-

In an interview Monday in the Straits Times newspaper here, Admiral Richard C. Macke, commander of U.S. forces in the Pacific, said America wanted to "move forward" in its military relationship with China toward visits by each other's warships, exchanges of armed forces personnel and small-scale exercises.

The U.S. plan to re-establish

Nuclear Experts Meet on Korean Technical Issues

The Associated Press

GENEVA - North Korean and U.S. negotiators resumed their talks to ease nuclear tensions Monday, as Pyongyang issued a new warning against attempts to pressure it to make concessions.

A U.S. official declined to give any details on the lowerlevel session, which was held at the U.S. Mission to the European headquarters of the United

With the chief negotiators' taking a break until Wednesday, experts from each side met for nearly three hours Monday to discuss technical issues.

After a week of the current round, U.S. officials said last Friday that the talks were stalemated over all key issues, including U.S. efforts to learn of past activity at North Korea's nuclear center and to safeguard spent fuel.
An official North Korean

newspaper, Rodong Sinmun. said "dishonest quarters" of the International Atomic Energy Agency were joining forces with hard-line U.S. conservatives to use "diplomatic pressure" backed by "gunboat diplomacy" to pressure Pyongyang.

with the Chinese armed forces is expected to be widely welcomed by other Asia-Pacific nations that favor a policy of "engaging" China in the widest possible range of mutually beneficial exchanges, starting with

tending to cooperative security

arrangements. Officials from those countries maintain that if China has a strong vested interest in the region's economic prosperity and is given the opportunity to help shape a new security framework, it will opt to maintain peace and stability instead of using force to pursue territo-rial claims in such areas as the

South China Sea and Taiwan. "Inescapably," Prime Minister Paul Keating of Australia said recently, "the extent and nature of China's engagement with the rest of Asia will be a key determinant of regional se-

Mr. Keating said that Chi-na's increasingly active participation in Asia-Pacific security exchanges provided "another important way for China to reassure the region about its poli-

future of the region's security lies in its own hands and not in a balance of power held by oth-

More than ever, he said, the

"In meeting this challenge," he said, "countries in the region, including Australia, have region.

security has to be found with min, is expected to reiterate this to maintain stability." their neighbors, rather than against them."

In July, China joined the United States, Japan, Russia and other Asia-Pacific countries in Bangkok for the first trade and investment and exformal discussion at ministerial

> 'Inescapably, the extent and nature of China's engagement with

the rest of Asia will be a key determinant of regional security.1

Keating of Australia

Prime Minister Paul

level of regional security prob-

The high-level meeting will reconvene each year, with for-eign ministry and defense officials from member countries holding more frequent discussions on ways of defusing po-

tential conflicts. China has been making strenuous efforts to reassure Southeast Asia that it will not use its growing economic and military strength to threaten the

stance next month when he visits Indonesia, Malaysia, Singa-

pore, Thailand and Vietnam. Kuala Lumpur that Beijing had committed itself not to use force in pursuing its claim to sovereignty over a vast area of

the disputed Spratly Islands. Vietnam, Taiwan, Malaysia, the Philippines and Brunei also claim all or some of the islands and the surrounding seabed. which is thought to contain extensive oil and gas reserves.

the South China Sea, including

Japan has a strong interest in the South China Sea because most of its oil and much of its trade passes through it.

China and Vietnam fought a brief naval battle over some of the Spratlys in 1988; all the claimant countries, except Brunei, have put troops on the islands they control.

Malaysia and China agreed last month to appoint defense attaches to each other's capitals to improve cooperation.

Admiral Macke said that countries in Southeast Asia and the Asia-Pacific area were "reaching out to China in a cooperative fashion to try and have Beijing as a stabilizing member" of the regional com-

He said that the key was to a fiesta in this town in eastern "influence China, to reassure Spain, officials said Monday.

China's president, Jiang Ze- China, so they will work with us

The formal resumption of U.S. military ties with China began in November with a visit In May, the Chinese defense to Beijing by Charles W. Free-minister, Chi Haotian, said in man, a U.S. assistant secretary to Beijing by Charles W. Free-

of defense. He said at the time that a renewed program of military contacts "can contribute both to improving bilateral relations and achieving peace and stability in a number of troubled ar-

eas in the world." Admiral Charles Larson, the former commander of U.S. forces in the Pacific, became the highest-ranking American officer to visit China since the 1989 crackdown when he went there

in July. In August, General Xu Huizi, deputy chief of the Chinese armed forces general staff, went to Washington for talks and also visited U.S. Pacific command headquarters in Hawaii.

The U.S. secretary of defense, William J. Perry, is expected in China later this

Bull Kills Woman at Home

VIVER, Spain - An 82year-old woman playing cards in her home was gored to death by a fighting bull, which had escaped from a bullring during

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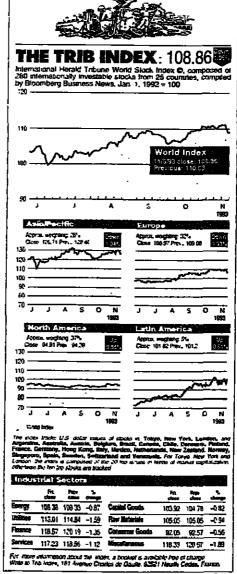
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Breaking a Vow on Bosnia

The UN Security Council's latest maneuverings over the Bosnian arms embargo appear technical and arcane. But future historians may cite this as the moment the Clinton administration finally vielded to Europe's cynical policy of keeping Bosnia defenseless, forcing it to submit first to "ethnic cleansing," then territorial partition and finally to North Atlantic Treaty Organization peacekeepers enforcing a surly peace.

Washington's own policy, though never pretty and never pressed aggressively enough, was far better than this, and more sensibly prudent than many of its critics allowed. It consisted of fending off the worst European arm-twisting while pressing Europe to agree to lifting the arms embargo so that Bosnia could at least try to defend itself.

On Thursday, however, the last shreds of a separate U.S. policy vanished when the administration walked away from President Bill Clinton's written pledge to Congress to seek a Security Council vote to lift the arms embargo by Oct. 15. The excuse is that Bosnia's government is now willing to delay lifting the embargo until spring, provided the Security Council takes binding action on it now. Why then is Washington not pressing for such a binding vote?

The administration knows that Bosnia agreed to a delay only under intense European pressure. It also knows Bosnia hopes to win European acceptance of lifting the embarge in return. Yet the United States has made no serious effort to rally European support.

Surely Washington still has some influence with London, Paris and Moscow on issues it really cares about. The administration did not even use its reluctant vote for Europe's main Security Council goal, relief of sanctions on Serbia, to win European votes for ending the embargo.

The result will be more Serbian military pressure on Bosnia, diminished prospects that the Bosnian Serbs will accept the big-power peace plan, and a larger risk that U.S. troops will ultimately be sent on Bosnian peacekeeping duty.

Congress, which adjourns this week, cannot do much now about Mr Clinton's broken pledge. But when it returns in January, it could cut off funds for U.S.

enforcement of the arms embargo.

That is a crude tactic that will hurt U.S. efforts to get other UN embargoes enforced. But given the administration's demonstrated inability to stand up to Europe on this issue, it would be justified. -- THE NEW YORK TIMES

Saddam, Weaker but Still Vicious, Deserves No UN Mercy

WASHINGTON -- As the narrator intones two Koranic verses -- "The thieves, cut off their hands for their ili gains and as punishment from God who is great and wise," and. There is life for you in punishment. O you who can reason. that you may follow the right path" - the camera focuses on a severed hand placed on a tom green jacket.

On June 4, the Iraqi regime introduced the Islamic punishment for theft, amputation of the right hand, while decreeing that repeat offenders should lose a foot. Three months later, the hand of a thief. along with the man himself, were shown on fraqi television.

Saddam Hussein has launched a new reign of terror intended to shore up his weakening grip on power Although Islamic law does have provisions for cutting off the hand of a thief and the head of a murderer, many punishments being meted out have nothing to do with Islam. They are simply cruel and bizarre.

The regime has decreed that dealing illegally in foreign currency and forging official documents are punishable by amputation of the hand. On Aug. 18, it announced that those whose hands are cut off should have an X tattooed between their eyes, atthough Islam forbids such mutilation. Saddam has personally signed all the amputation decrees.

But the decree that has had the broadest impact is the Aug. 25 announcement By Laurie Mylroie

that army deserters, or anyone sheltering them, will lose an ear and be branded. A second offense means losing the other ear a third offense means death. (In a stunning bout of hypocrisy, the regime also began selling exemptions from military service for around \$1.000.)

Military officers who have defected to the opposition say that ear amputations are being performed at army checkpoints, where the ears are thrown into buckets, and that the punishment has been carried out on several thousand people.

There are tens of thousands of army deserters in iraq, and the new punishments have precipitated open opposition. in the northern, predominantly Sunni, city of Mosul there were street demonstrations last month. In the southern Shiite city of An Nasiriya, the Arab tribe of a mutilated man took revenge by attacking the local headquarters of the governing Ba'ath Party and cutting off the ears of the officials present.

The economic situation in Iraq is bad and getting worse. Last week, the government drastically reduced the rations it provides at subsidized prices. It market price of most staple foods quickly doubled. This hardship, combined with the parsh new punishments, has produced haq's greatest political fissure

since the 1991 post-Gulf War uprisings.

Many army deserters and other opponents of the regime have headed north to Kurdish-controlled territory. This has become the staging area for an umbrella organization called the Iraqi National Congress, which orchestrates most of the

internal opposition to Saddam. Since early last month, the Iraqi National Congress has been receiving more than 100 Iraqis a week fleeing his control. Until recently, most were men who came to join the fight against Saddam, leaving their wives and children with relatives. Now army deserters predominate and those that have families try to bring them.

The regime is clearly testering. The key is the UN sanctions, which are undermining Saddam's control. Yet several countries, especially France and Russia. are pressing the UN to lift the sanctions because they are eager to resume trade.

Lifting the sanctions would be foolish. Given Saddam's determination to hold on to as much of Iraq's nuclear, chemical and biological weapons program as possible, it will be impossible to control him once Baghdad is allowed to sell oil. Even the chief of the UN weapons inspection team, Rolf Ekeus, has publicly voiced his doubts about Iraq's intentions.

UN Resolution 687, which established the sanctions, was very much an American document, and reflects the flaws of U.S. policy at the end of the Gulf War. It links

the ban on exports solely to the destruction of tray's weapons of mass destruc-tion. Thus Iraq could invade Kuwait again, but according to Resolution 687. that would not affect its ability to export oil. The resolution also reflects the Bush administration's indifference to what governments did to their own people. The sanctions are in no way connected to Saddam's persecution of his people.

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Now that the Security Council is moving to establish tribunals to investigate human rights violations in Bosnia and Rwanda, why not investigate Iraq? In April 1991, as Baghdad crushed the postwar uprisings, the Security Council passed a resolution demanding that Iraq stop repressing its population. The European Community called for war crimes trials. But the Bush administration, hoping that those around Saddam would overthrow him, foolishly opposed the measure

Rather than debating whether to lift sanctions, the Security Council should be addressing Baghdad's human rights violations, including the campaign to chop off body parts. Failure to do so will only give the appearance that the UN has different rules for countries without oil and those with lots of it.

The writer is a research associate with the Foreign Policy Research Institute in Philadelphia. She contributed this comment to The New York Times.

Research the Ethics First

The panel of 19 experts charged by the National Institutes of Health to advise the U.S. government on human embryo research made a conscientious effort to answer a question fraught with difficulties both moral and scientific: Should the government fund research that involves creating, then destroying. human embryos for research purposes alone? But its conclusion - that, under certain strict guidelines, the government should -is in our view flat wrong. The creation of human embryos specifically for research that will destroy them is unconscionable. The government has no business funding it.

Viewed from one angle, this issue can be made to yield endless complexities: What about the suffering of individuals and infertile couples who might be helped by embryo research? What makes this different from the use of "extra" embryos left over from couples' fertility workups? What about the need to police this research where it is already being done? What is the status of the brandnew embryo? And a simpler question: Is there a line that should not be crossed even for scientific or other gain, and if so where is it?

Some believe - we do not - that the line should be drawn before contraception, which prevents a possible concep-tion; or abortion, which destroys an unintended conception; or research on fetal tissue resulting from abortions. Opponents of abortion have so far been cited as the main opposition to the embryo recommendations, and they have pledged to ask Congress to block the recommendations by ruling on when life begins.

But it is not necessary to be against abortion rights, or to believe human life literally begins at conception, to be deeply alarmed by the notion of scientists' purposely causing conceptions in a context divorced from even the poten-

Historians, writers and ordinary

American citizens won a victory for the

national heritage on Wednesday. Walt

Disney Co. abandoned the most irresponsible idea ever hatched in the Magic

Walt Disney Co, had recently won two

important battles. The county's planning

board had agreed to the necessary rezon-

ing for the project, and the regional trans-

portation panel had approved \$130 mil-

outrage generated by the proposed pro-

ject would mar Disney's image. It was a

wise decision, but a tardy one, given the

There may have been other factors.

Power struggles at the top of the compa-

ny have dented its confidence. Euro Dis-

ney, its Paris project, has been a huge

scale and stature of the opposition.

But the company concluded that the

lion in road improvements.

tial of reproduction. One panelist, the Georgetown law professor Patricia King, wrote as much in a partial dissent. saying society has not yet "developed a conceptual framework to guide us" when "human life is being created solely

for human use." To suggest that support for abortion rights equals support for such experimentation is to buy abortion opponents' view that permitting abortion means erasing society's ability to make distinctions.

Though the panel of experts said a developing embryo merits "serious moral consideration," they concluded that the moral status of embryos younger than 14 days (when the first "primitive streak" heralds the beginning of the ner vous system) is not equal to that of more-developed embryos or human infants. Some members, it is reported. initially wanted to use three weeks, the point at which brain formation begins -a fair index of the subject's slippery slope potential.

Much of the report is useful. Embryo research is already a common by product of the burgeoning study and practice of in vitro fertilization and is legal in Canada and elsewhere. It is important to put ethical guidelines in place if the government is to fund anything in this area The panel would prohibit cloning or the use of embryos past 14 days; it restricts embryo creation to "compelling" projects and to cases where grant-seekers can show (1) that the same questions cannot be answered with existing embryos, or (2) that new ones are needed for "scientific validity." It is the second of these categories, not the first, to which Ms. King dissents. But we find both alarming. In approving the funding of the purposeful creation of human embryos for any experiments the panel took a step too far.

- THE WASHINGTON POST

miscalculation. The last thing Disney

needed was a bruising and protracted

public relations battle against the na-

tion's most respected writers and thinkers on the Civil War. Disney did not expect

Scenario for a Workable Irish Peace

LUNDON — Poliucians in Bos-ton and New York, eager to solicit the vote of American Irish Catholics, gave a hero's welcome to the Irish Republican Army's political spokesman, who recently nelped arrange cessation of ter-

rorist bomb attacks on Britons. This second tour of the United States by Gerry Adams went down badly in the United Kingdom. Most people in Britain do not think anybody deserves horization and a fresh infusion of funds for stopping, or perhaps only suspending a policy of systematic murder and they resent the portrayal of Northern Ireland as a place occupied by Bruish soldiers to prevent the inevitable

unification of the Irish people
The Brits argue that Gerry Adams, unlike Nelson Mandela. never talks of "one person, one vote" because a million Irish Protestants in Ulster form a vast majority that wants to remain part of the United Kingdom.

Unlike Yasser Arafat, the IRA spokesman cannot comptain of no nation for his people because of the existence of the trish Republic where Catholics form the great majority

Nothing would please the English, Scottish and Welsh more than to be able to withdraw forces from the Irish outpost established in Cromwell's ture. But that would abandon a nullion British subjects its fierce and murderous counterpart among Irish Protestants.

To pull out peacekeeping troops, as the IRA demands with its "British out," would turn the place into an orange and green Bosnia. A million British ethnic Irish do not want to be nationally "cleansed." and the English cannot in honor set their nationals adnift.

As a result. British subjects in Northern Ireland have a more secure future in their townships than Israeli citizens do in their settlements in the West Bank or Golari. By William Safire

Most Americans do not get that picture. We tend to think that "the troubles" have gone on too long, that religious wars are out of date, that it might be tidier with all the Irish under one political roof, and that today's terrorists are tomorrow's statesmen so why doesn't London quit quibbling about whether the IRA's "complete cessation" is "permanent" and get on with negotiating directly with Gerry Adams?

That attitude, whipped up by ethnic-blocking U.S. politicians, is what drives the British up the wall. London survived the 21-year terronst blitz without buckling: the IRA bombs made headlines but made no allies or progress. Because the terrorists realized they were losing their war, and time was against them, they (like the broke

and isolated PLO) were driven to see what a truce could produce. In London's view, U.S. pressure on "the hish peace process" would strengthen the irish Republican Army and endanger the sort of extended negotiation that hotheads cannot abide.

What sort of deal is workable? Most people here in London think that Prime Minister John Major's demand that Mr. Adams first pledge eternal peace is only a militant pose to cover up more secret dealings among Dublin and London.

If the IRA "cessation" holds (allowing for occasional violence by disavowed diehards), the British troops who now do not have permanent barracks and grounds in Ulster could be withdrawn in stages. That would cut the non-Irish British military presence in Northern Ireland by half, a consummation that this genera-tion of IRA leaders could never achieve by ærror.

As that takes place, the hope is that the border between Northern

Ireland and the Irish Republic would become more porous; business investment and tourism, now impeded by violence, would pick up to form binding ties; political power would devolve to localities. Catholic nationalists could shrug off as vestigial the "techni-cal sovereignty" of the United Kingdom while Protestant union-

grab or persecution. That gradual coming together, even if punctuated by outbursts of the old hatred, is the future as plotted by Rosy Scenario. It beats

ists could claim their British pro-

tection in the event of a power

renewed terrorism or civil war. If Mr. Major can bring it off, he will justify the past generation's steadfastness (and stop Britain's lurch toward Labor as well). Coming negotiations will not be helped if the cheers of U.S. politicians embolden the former terrorists to expect to extract at the peace table what they could not coerce with

bombs in department stores. The New York Times.



Giving Their All for Sarajevo's Children

BOSTON — Dr. Esma Zecevic is chief pediatrician in the children's clinic of the largest hos-Her hospital usually has no electricity or running water she and her colleagues practice by candle-

light. They eat one meal a day. I beard about Dr. Zecevic from Dr. Jane Green Schaller, a leading Boston pediatrician who has just returned from a visit to Bosnia. We all know about the cruelties of the Serbian war on Bosnia.

But the reality of life there was somehow brought home to me more tellingly as Dr. Schaller spoke about what she saw. 'There was constant gunfire,"

Dr. Schaller said. "They called it light gunfire, but to me it was By Anthony Lewis

pital still functioning in Sarajevo. astonishing. All kinds of guns. "People go about their business. But when you see them close

up, they are thin. And tattered. "I staved with Dr. Zecevic and her family. The first night they gave me dinner, but no one else ate. Breakfast next day was the same. They have roof water they collect it when it rains - but they can't drink it. For drinking water they go to a tap, which is several kilometers away. And that was before the Serbs cut off the pumped water supply, gas and

electricity."
The children's clinic used to be a large hospital and university teaching facility. On May 25, 1992, Serbian artillery zeroed in on the clinic building. Dr. Zecevic and her staff got the children out just before the building was destroyed.

They fled to the basement of a new obstetrical building, the largest in all of former Yugoslavia, where 10,000 babies were delivered a year. Within hours that building, too, was destroyed. Dr. Zecevic and others survived in the basement. But six infants brought from

there was no oxygen supply.

Now the children's clinic is in what was built as a nuclear medi-cine ward of Kosevo Hospital. Half the space is in interior rooms, without light. Doctors and nurses have not been paid for six months. "They are survivors," Dr. Schaller

the children's clinic died because

Dr. Schaller is director of the Floating Hospital for Children so called because it used to be literally on a ship - of the New

England Medical Center. She went to Bosnia with Dr. Maurice Keenan, president-elect of the American Academy of Pediatrics. And people running on the streets They were invited by Bosnia's pea pediatric society with Dr. Zecevic as president.

Colored and the color

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The contrast between the modern, professional outlook she found and the grim conditions of life moved Dr. Schaller. For example, she said, the doctors she met were tolerant and cosmopolitan in

their religious views. "They do not like having their country called 'Muslim.' " she said. They want to be Bosnians, not to live in a one-religion country. The doctors have a great wish to be connected with the world ... They care about the right things."

But the reality is that 16.700 Bosnian children have been killed since the Serbs started their war. The surviving children tend to be undernourished and anemic.

How can outsiders help? "Stop the strangulation of Sarajevo," Dr. Schaller said. "The Serbs shouldn't be able to turn off the electricity and water and gas They shouldn't be sitting in the hills shelling and sniping at civilians. There ought to be a road open for relief convoys. Winter is coming. There isn't much food left in Sarajevo."

Two days after Dr. Schaller returned to Boston she got a message from Dr. Zecevic, "Unfortunately," it said, "I have been badly vounded." A bullet went through her right lung. To have it removed she probably would have to be hurt terribly and it still does." Dr. Zecevic said, "but I did not cry. Our tears here dried up long ago."

The New York Times.

Gerrymandering and the Black Vote WASHINGTON - Two federal district courts. By William Raspberry nothing in the constitution requires neatness or contiguous-

Kingdom and decided not to build a such a struggle. theme park near the Manassas Battlefield Governor George Allen was on the company's side and a mindlessly generin Prince William County, Virginia. More than the fate of the battlefields ous Virginia Legislature was willing to of Manassas, or Bull Run, was involved. pay millions for development. What "Disney's America" would have flooded they did not reckon with was the passionate nationwide outery that carried a clear message. The Manassas country-side is not Virginia's to sell It belongs one of America's most historic and seenic regions, including the nearby Shenandoah National Park, with traffic and

Disney's Bull Run Defeat

tacky development. to the nation. Congress now needs to pass legislation In response to the threat to these national treasures, a large, articulate coalidesignating a new kind of preservation tion defeated one of the country's richest area - the National Historic Region corporations and its boosters in the Virthat would enable it to control developginia Statehouse and Legislature.

ment in areas precious to the nation. Along with proving the power of organized, articulate opposition to a bad idea. the intellectuals, environmentalists, preservationists and ordinary citizens who fought the project proved something else. Michael Eisner, the chairman of Dis-

ney, argued that Americans were ignorant about their history and needed Disney-style fun to teach them. As the historian David McCullough has pointed out, this episode has shown that Americans do know their history and care about ground made sacred by what occurred there.

- THE NEW YORK TIMES.



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looking at oddly shaped districts drawn to increase the likelihood of electing black candidates to the U.S. Congress, have reached opposite conclusions. One coun reviewed a North Carolina districting plan that

created two weirdly shaped black-majority districts and found it to be a product of "iacial gerrymandering." but not illegal. Another court looked at a Louisiana plan and branded the "bizarre and irregular shape" of a new black-majority district "raciai gerrymander-

mg — and illegal.

The U.S. Supreme Court almost surely will take up the two cases in the fall term.

What should its ruling be? I have a confession. I don't know what it should be. I don't know what the U.S. Constitution requires. I don't even know what common sense requires.

There is an established view that state legislatures may not draw their district maps in a way calculated to reduce minority voting strength -- for instance, by scattering a concentration of black voters among several congressional districts.

That seems reasonable. But reduce that voting strength from what? From what it used to be? From what it ought to be? From its mathematical maximum?

These are not silly questions. The two districts (from which the freshmen congressmen Mel-vin Watts and Cleo Fields were elected) are under challenge because of their peculiar shapes. Mr. Watts's North Carolina district is 160 miles (200 kilometers) from end to end, but at places no wider than the interstate highway it follows to: much of its length. Mr Fields's district cuts a Z across the middle of Louisiana. Both. obviously, were drawn in such a way as to maximize the chances of sending a black person to the House of Representatives.

Importantly, neither state had had a black representative since the days of Reconstruction, just after the Civil War. Are the shapes of the challenged districts so "bizarre" as to be unconstitutional. as Justice

Sandra Day O'Connor suggested? Should the Supreme Court be in the aesthetics business? There are those who would argue that the court shouldn't be in the business at all, redistricting being a function of the state legislatures. But once the court finds it unlawful for state legislatures to draw district boundaries for the purpose of reducing black representation, it is in the redis-

how it can avoid ruling on the Louisiana and North Carolina congressional maps --- or how it could do so in a way that makes constitutional sense. What surprises me is that I

am at a loss as to what outcome

tricting business. It is hard to see

I would like to see The Congressional Black Caucus now boasts a recordhigh 40 members. I count that a good thing. Drawing more aesthetically pleasing districts might reduce the caucus by a dozen members or more. 1 don't

want that to happen. But it is conceivable that several states could be redistricted in ways that might add substantially to the 40. It would not be a pretty map, and many of the districts might consist of noncontiguous bits and pieces; out quires neatness or contiguousness, as far as i can see. There is another consider-

ation, bowever: To maximize the chances for blacks to elect, members of Congress — by herding them into black-majority districts - is to reduce black influence in all surrounding districts. Indeed, many Republicans are encouraging just such a move, on the ground that purging the greatest number of districts of their black voters most of whom are Democratic will increase the number of districts available for Republican control.

How do you balance between increasing black influence in a number of districts and guaranteeing election of a black candidate from a single district? Is there some optimal balance between expanding the Black Caucus and Balkanizing the electorate? And even if you could reach a political judgment on this issue, how could it translate into a judiciai one?

I am ready to take another look at Lani Guinier, the Pennsylvania law professor, and her cumulative voting" scheme. She would have all congressional candidates run statewide, giving each voter as many votes as there are congressional seats. Voters would be free to cast their votes in any pattern they chose --- one each for several candidates or all

for a single candidate. Blacks could pool their voting strength when and where they saw fit, solving the problem of optimizing black influence. And since there would be no more districts, it would save Justice O'Connor from having to wrestle with the question of how bizarre is too bizarre.

Washington Post Writers Group.

said. "They don't grumble." evacuated, and that is difficult, "It

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1894: Storm in Venice

VENICE - For three days a tempest has raged in Venice. A curious thing is the perfect regularity of this autumnal tempest. It comes to a day each year, very often, as happened last year, inundating the lower parts of the city and turning the Piazza of St. Mark's temporarily into a lake. On the back of this comes our Indian summer,

1919: Persian Hanged

LONDON - The Persian Government, says the "Times" correspondent at Teheran, which has recently been showing unusual activity in repressing disorder, has hanged the famous robber chief, Nayib Hussein. So powerful did he become that in 1912 the Government invited him to assume responsibility for the safety of the roads from Ka-

shan to Kum and Yezd, where no caravan was safe (rom his depredations. His name, a household word in Persian homes, was used as a bogy to frighten children.

1944: Warsaw Defeat LONDON -- A terse communi-

que from Lieutenant General Tadeusz Komorowski (General Bor) announced today [Oct. 3] that his underground army's re-sistance in Warsaw had ended after a sixty-three-day struggle, during which thousands of patriots were killed and the city was reduced to a shambles. Moscow newspapers said a Polish officer who escaped reported that thousands of insurgents had crossed the Vistula River to the Russian lines, "There was no longer any resistance in any part of Warsaw," the officer said. Warsaw is as greatly destroyed as Stalingrad."



مكذاء ممانط

Will a Conservative Tide Lift Maryland's Thatcher?

By George F. Will

BALTIMORE — Maryland Republicans, a reviving but still has the highest percentage of African-Americans (almost 25 percent) Margaret Thatcher. Ellen Sauerbrey, 57, has an ideological clarity and pugnacity comparable to that of the prime minister who, it was said. could not see the status quo without hitting it with her handbag.

In last month's gubernatorial primary, Ms. Sauerbrey, minority leader of the state House of Delegates, scored a stunning 52 percent to 38 percent upset over the presumptive nominee, Helen Bentley, a Republi-can congresswoman of the centrist sort that wins, on the relatively rare occasions that Republicans do win, in this, one of the most Democratic states. Ms. Sauerbrey, whose slogans are "This time, try something different" and "Vote yourself a 24 percent tax cut," preaches high-octane conservatism, from more prisons to less welfare,

Experts say this is a recipe for rejection in a state whose last Republican governor, elected 28 years ago, was named Agnew, which has not had a Republican majority in either house of the state legislature since 1919, and now has a legislature with 155 Democrats and 34 Republicans.

Fifty years ago, half of Marylanders were Baltimoreans; only 20 percent were suburban. Today, 15 percent live in Baltimore, 65 percent in suburbs, most in Baltimore County and two Washington suburban counties: Montgomery, one of the nation's richest counties, and Prince George's, which is half African-American. The two core constituencies of the Democratic Party nationally are African-Americans and government employees. Maryland is a dormitory for

outside the Deep South.
So, why is Ms. Sauerbrey running

competitively against Parris Glen-dening, an orthodox, presentable Democrat who is county executive in Prince George's? Perhaps many Democrats like the idea of a handbag applied firmly to Annapolis, where the state government has made Maryland, according to Money magazine, third only to New York and Oregon among high-tax states.

All such ratings are disputable, but Maryland's income tax is 44 percent more burdensome than the average state income tax. Ms. Sauerbrey lives north of Baltimore and says cars stream north into Pennsylvania at the end of the workday because Maryland's income tax is 52 percent higher than Pennsylvania's.

Her promise to cut Maryland's tax 24 percent in four years has revealed the intellectual exhaustion of Democrats who are reduced to recycling George Bush's rhetoric, accusing Ms. Sauerbrey of "voodoo economics" and saying she couldn't do it. Last week, Ms. Sauerbrey campaigned with a governor who is doing it: New Jersey's Christine Todd Whitman, who in her first year is on schedule to fulfilling her promise of a 30 percent state income tax cut.

Mrs. Whitman cited New Jersey's experience to refute the contention that state tax cuts necessarily cause increases in local property taxes. Ms. Sauerbrey hopes to get cam-paign appearances from other taxcutting Republican governors: Massachusetts's Bill Weld, Michigan's John Engler, the former Dela-



ware Governor Pete du Pont. Ms. Sauerbrey would find budget cutting easier than they did because the budgeting powers of Maryland's governor are Caesaristic.

But will her message get a respect-ful hearing, or even be heard? Marylanders who do not read The Baltimore Sun are apt to read The Washington Post, and neither paper is sympathetic to tax cutting. Her opponent, having access to the money machinery perfected during de-cades of Democratic dominance, is forswearing public financing and hence can spend without limits.

Because of the lateness of the primary and the weakness of the state Republican Party, Ms. Sauerbrey is relying on \$1 million in state financmore. Mr. Glendening spent about \$3.5 million in the primary, Ms. Sauerbrey just over \$700,000. Furthermore, the Democratic-

controlled legislature recently changed from \$10,000 to \$2 million the amount the state parties can spend on behalf of candidates. And the state attorney general, a Democrat, has just issued a ruling that severely rations political expression on behalf of candidates who accept public financing.

He said that because Ms. Sauerbrey is receiving public financing, any sum the Republican Party spends supporting her — even printing sample ballots with her name on them - must be subtract-

ing, and so is forbidden to spend ed from her \$1 million. So total spending for her for the entire political season will be well under \$2 million. Spending for Mr, Glendening could exceed \$8 million.

The polling company that showed Ms. Sauerbrey losing to Mrs. Bent-ley by 15 points four days before Ms. Sauerbrey won the primary by 14 points now has her trailing Mr. Glendening, 47 to 40. She is run-ning against so much history and money, it will take a national tidal wave of conservatism to lift her into office (where her first act should be to smack the attorney general's office with her handbag). Her race bears watching as a leading indicator of tidal activity.

Washington Post Writers Group.

For Banned Books Week, Read These Survival Tips

By Anna Ouindlen

Day 1: Read "Bridge to Terebithia" by Katherine Paterson, which parents in several school districts have tried to remove from required reading lists. Weep copiously at realistic tale of friendship and loss among children.

Read account of attempts to have the book removed from school libraries in Mechanicsburg, Pennsyl-

MEANWHILE

vania. Clergyman says the book re-fers to church services as "boring."

Shocked and amazed.
Discover that "Terebithia" caused such a stink in Oskaloosa, Kansas, that the school board has required teachers to list each profanity in any book they assign and how many times the profanity is used. Page through book. Find a "damn" and write it down. Feel like a fool. "I hate to say it, but sometimes grown-ups are really stupid," says oldest child.

Day 2: Read reams of material

about the banning of "In the Night Kitchen," fanciful account of dreams of little boy by Maurice Sendak. Boy falls out of clothes, is naked, has penis. Penis has been described as "desensitizing children to nudity" (Beloit, Wisconsin), "nudity for no purpose" (Norridge, Illinois) and "the foundation for future use of pornography" (Elk River, Minnesota). In Missouri, copies of book were distributed to kindergarten class after artist was commissioned to draw shorts on boy.

Discover that the profanity in "Terebithia" includes the repeated use of the word "Lord." Begin to agree with oldest child.

Day 3: Contemplate bookshelves in office. "Moby Dick" encourages whale hunting, "Anna Karenina" adultery, Shakespeare teen suicide. can Women's Clubs throughout the usury and the occult. William Faulkner, oy. Consider what would remain if all books containing sex. profanity, racial slurs, violence were removed from shelves.

Narrow it down to "Cat in the Hat," dictionary and Bible. Realize cat with hat encourages children to make a mess while mother is out. Discover in American Library Association Banned Books Week literature that the Bible was challenged as "obscene and pornographic" at li-brary in Fairbanks, Alaska. Fear for

Day 4: Read quote from Judy Souleret, mom supporting "Tere-

NEW YORK — It's Banned bithia" in Mechanicsburg: "If only books that no one found objectionbooks that no one found objection-able were left on library shelves. I fear they would soon be bare."

Vow to send Judy flowers and the collected works of Toni Morrison. ("Song of Solomon" challenged in Columbus, Ohio. So much for Nobel Prize,) Read "Catcher in the Rye" for pleasure. Lose count of number of times book has been challenged or banned. "It uses the Lord's name in vain two hundred times," said one opponent. Wonder if she's read Bible.

Library Association sends information on case in Wyoming challenging Judy Blume book "Forev-er." Judy reigning Queen of banned books, maybe because writes books about teenagers in which they talk and think like actual teenagers as opposed to adult's idea of what teenagers should be like. (How quickly we forget.) Parent com-plained "Forever" contains sex described graphically. Spells graphi-cally "grafically." Read that parent in Lambert-

ville, New Jersey, objected to "The Amazing Bone" by William Steig, because animals use tobacco. Love Steig, love "Bone," hate tobacco. Heart sinks. Reports of censorship at highest mark in last 10 years. Find myself counting uses of Lord's name in vain in "Catcher." Read dictionary instead.

Day 5: Wonderful end to de-

pressing week. Reread Jane Smiley's "A Thousand Acres," beautiful novel of family relationships, which won Pulitzer Prize. Advanced placement English class in Lynden, Washington, assigned to read it in tandem with "King Lear." Principal pulls it after parents complain, although their kid is not even in advanced placement class. "This was written to be stimulating," parents complained. Next thing you know teachers will be assigning books that are thoughtprovoking. Riveting. Even compel-ling. Then where will we be? Consider entire kindergarten-to-

high school curriculum of banned books, beginning with "Night Kitchen" and ending with Jane Smiley. Great stuff all. Foolproof pedagogical method: Tell students they cannot, repeat, CANNOT, read these books. Too stimulating. Watch reading scores soar. Next stop, Faulkner. Finish "Thousand Acres." Decide oldest child is right. Reread "Bridge to Terebithia."

Even better the second time. The New York Times.

LETTERS TO THE EDITOR

Partnerships for People

At last week's summit meeting in Washington, Presidents Bill Clinton and Boris Yeltsin stressed the importance of their partnership. But in addition to the cooperative ties of political leaders and businessmen, 40 U.S. nonprofit organizations are building partnerships with counterparts in the newly independent states of the former Soviet Union to encourage outreach and social services. Through a \$25 million project funded by the U.S. Agency for International Developimpart the how-to of volunteerism the aftereffects of Chernobyl.

in local efforts to support groups in the newly independent states.

These local organizations are coaxing businesses to hire people with disabilities, forming senior citizens centers and family planning clinics, and providing loans to women starting small businesses. They sponsor workshops on conflict resolution in war-torn Georgia, and ensure a basic income for families in Tajikistan following that country's bloody civil war. Fledgling environmental advocacy groups are improving their communication technology to publicize some of the world's worst ment, organizations such as mine environmental devastation, such as

Clearly, the will and the infrastructure are there. Since the fall of the Soviet regime, more than 50,000 private voluntary and religious organizations have been launched in Russia alone, and thousands more are springing up in nearby republics. But 70 years of totalitarian leadership has compromised resources and trust. The U.S. AID project offers technical assistance and management training

more effective safety net. A few hundred thousand dollars in U.S. assistance is helping lay the basis for a continuous, functioning net-

to enable partner institutions to solve

their own social, environmental and

health-related problems through a

work of support systems. These partnerships, too, are working. JUDY HENDREN MELLO.

Brattleboro, Vermont. The writer is president of World Learning, a nonprofit educational services organization based in Vermont.

Helping Expatriates Adjust

In response to "Heading Off Culture Shock Aids Success" (Money Report, Sept. 3) by Barbara Wall:

The article was excellent but neglected to mention the wealth of information and support that is givел to expatriate families by Ameri-

world. The Federation of American Women's Clubs Overseas is the umbrella organization for 61 such clubs worldwide. It offers information about cultural adaptation, local customs and logistics, as well as a network of support and friendship during and after the transition from one country to another. Families and companies are encouraged to take advantage of the federation's helpful resources.

BARBARA JOHNSON, President. Federation of American Women's Clubs Overseas.

BOOKS

TROUBLED TIGER: Businessmen, Bureaucrats and Generals in South Korea By Mark Clifford, 350 pages.

\$55 hardback, \$19.95 paperback. M. E. Sharpe

Reviewed by Philip Bowring

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T is difficult for anyone to be L dispassionate about Korea. Koreans themselves seem to have few equals in the national pride-hypersensitive chauvinism league. The foreigners who know them best are the Japanese, who are disqualified by recent history from comment on their erstwhile subjects. That leaves the Americans who can reasonably claim

• Fernando Ros, director of business promotion for Telefónica Internacional, is reading

"Preparing for the Twenty-First Century," by Paul Kennedy. "It analyzes the big problems facing humanity and makes a conjecture about how they will evolve. I don't completely agree with the book's content, but I find it very interesting as an impetus to think about these chal-(Al Goodman, IHT)



to have created most of the military security and foreign trading pre-conditions for South Korea's remarkable 30-year march from Bangladesh to OECD in-come levels.

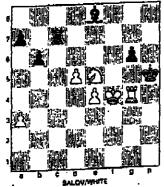
CHESS

By Robert Byrne VALERI SALOV beat Jan Timman in Game 7, in the FIDE quarterfinals.

In the classical Nimzo-Indi-

an Defense, White always used to develop with 6 Nf3, but after the successes of the Hübner Variation beginning in the 1970s, 6...Bc3!? 7 bc d6 8 e4 e5, it was appreciated that Black's blockade strategy worked very well in this position. Accordingly, 6 Ne2 has taken over the leading role, as it has the virtue of discouraging 6...Bc3?! 7 bc d6 because White's 12 pawn is not blocked and spearheads a strong attack after 8 O-O e5 9 Ng3! O-O 10 d5 Ne7 11 f4! ef 12 of Kh8 13 f5!

Thus Timman followed the popular course of opening the center with 6...cd 7 ed d5 8 cd



Position after 42... Be8

Nd5. The isolated d4 pawn can become an endgame disadvantage, but its control of a slight preponderance of central space can help White obtain kingside

attacking chances.
Timman's 15...f5 shook off Salov's pressure on the h1-a8 diagonal and it gave him the space to defend against a mating attack. The backward e6

pawn was soon eliminated after 21...e5, with the point that 22 de is countered by 22...Re4.

After 24...Bg5 25 hg Rc1 26 Rc1, the black kingside pawns were all on the color of his remaining higher hut. Timmen maining bishop, but Timman took care of that with 26...14 27 Ni4 Qg5, and after 28 Nd3 Qe3 29 fe, he had reached the end-

But it soon appeared that White's knight and rook were superior to Black's rook and bishop and the white connected passed center pawn were easier to mobilize than two flankpawn majorities.

The blockade that Timman set up with 31...Be4 could not be maintained after 37 Rf1 because of the threat of 38 Rf4. After 40 Rg4 Kh5, there was

no need to take the g6 pawn, especially when 41 Kf4 Bf7 42 d5 started the decisive advance of the passed pawns. After 42...Be8 43 Rg3!, Tim-

man had to evade 44 Rh3 mate with 43...Kh6. Then Salov ended all resistance with 44 d6! There was no use going on with 44...Rb7 because 45 Rc3! creates the killing threat of 46 Rc7! Timman gave up.

NIMZO-INDIAN DEFENSE White Safov 23 ed 24 Rsc1 25 Rg 26 Rc1 27 Ni4 28 Ne3 28 Ne3 31 Rd 32 Rd 33 Rd 33 Rd 33 Rd 33 Rd 33 Rd

With five years in South Ko-rea behind him, Mark Clifford's American journalistic dispas-sion occasionally shows signs of wear when dealing with South Korea's self-centered inability to acknowledge debts. The first and last chapters of this book might have been written by editorialists sitting in New York. But the core of the book is informative, balanced and well-

analysis and reasoned interpretation of the informational black holes that dot the country's recent history. Clifford has succeeded in describing and explaining the in-teraction of military, bureaucratic and business interests that have created modern South

documented without lacking

His account of the formative Park Chung Hee era is especially well done. It may not break new ground, but it does show how much South Korea's progress owed to the statist ideas the past, the case is less than that Park borrowed from prewar Japan and how both nationalist carrots and bureaucratic sticks were used to spur the private sector, dominated

by a few huge groups, to prodi-gious efforts and epic risk-tak-ing. Clifford shows how disparate and apparently contradictory forces combined in common goals, though he does not address the question of why they did so.

He also recognizes the energy and dissension generated by the friction between populist egalitarianism, inherited Confucian structures of order and the social mobility unleashed by the chaos that reigned between 1945 and 1960. The book also provides a reminder of the ruthlessness and zeal for retribution with which politics has been conducted in Korea, and perhaps bodes ill for chances of

reunification without tears.

Clifford has, with reason, few plaudits for former President Chun Doo Hwan, though he probably overstates the impact of corruption that began under Park but flourished more obviously under Chun. But he well

describes the struggles for policy changes, particularly those for economic liberalization put forward by (mostly U.S.trained) technocrats, and the role of the labor movement during the '80s. Censoriousness creeps in a

little too often for comfort. Despite the amazing changes that Korean society and politics have undergone in the past decade, Clifford sourly comments that elections "do not herald democracy as it is known in the West," citing the number of local government officials as evidence of the state "reaching to every household."

The conclusion is also disappointing. There is little forward thinking. Just a single para-graph on what is perhaps the most important issue facing the South: how to manage eventual reunification.

He is also, as the book title implies, quite gloomy about the future, concluding that South Korea has taken a wrong turn and is in a "developmental culde-sac." Maybe. But not much evidence is introduced nor account taken of the factor that South Korea has enjoyed for 30 years and still enjoys: the relatively low cost of relatively high skills.

Clifford assumes that South Korea will be held back by failure to open its markets in accordance with received wisdom. He may well be right. But given the success of statism (including bank nationalizations) in

Poor fortune-teller he may be but when it comes to describing what has gone before, Clifford is well informed, writes clearly and has made an unusually good job of weaving business and politics into a single tapes try thus making this a book more useful than most in explaining the process by which South Korea arrived at its cur-

rent state. International Herald Tribund

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At the World Economic Fo-claim rum in Davos last winter. Peter the General Agreement on Tariffs and Trade, argued that the G-7 alone could no longer be considered representative of the evolving power structure of the world economy. Mr. Sutherland said that a broader grouping to reform their practices. would be needed in the future At the annual G-7 su

and other economic matters. The growing power and competitiveness of developing countries can be seen in the politics of GATT. While the United States, the European Union and Japan still account for the overwhelming bulk of world trade, the developing namuscles. Their very competitiveness has forced new issues change in the way power is to the fore. Some of these issues, shared in the world economy. such as the establishment of international labor standards or account, are now being shaped in equal measure by both North and South.

World Bank, it seems fair to er, as blind to this argument as some Third World officials

rum in Davos last winter, Peter
Sutherland, director-general of IMF/World Bank meetings got under way in Madrid, Treasury Secretary Lloyd Bentsen of the United States agreed that developing countries should be given more influence, He also acknowledged that donors need

At the annual G-7 summit to help manage the complex- meeting in Naples in July, leadities of world trade, currencies ers decided to review the role of institutions such as the IMF and World Bank and come up with reform proposals in time for the summit in Halifax, Canada next year.

What all this means is that years from now this week's IMF dispute may come to be seen less as an ideological struggle or tions are flexing their collective a mere spat over Mr. Camdessus and more as a harbinger of

In practice, the G-7 members

of the IMF, even though they the need for business to take represent nearly half of the orenvironmental concerns into ganization's voting power, cannot impeach Mr. Camdessus, who still has another 27 months of his second five-year term to Likewise, when it comes to serve, Life, however, may beadministering aid from organi- come more difficult for him as zations such as the IMF and the he serves out his term, and the



Michel Camdessus, managing director of the IMF, speaking with Finance Minister Mourad Cherif of Morocco and Lewis T. Preston, president of the World Bank, before a session of the World Bank development committee.

smoothly as a result.

IMF may not function as night after having to insist at a very principal of asserting here, given the shifting plate smoothly as a result.

news conference that he would themselves may have been more tectonics of economic power Yet, Mr. Camdessus, who not resign, later noted that for important than gaining immewas visibly shocked Sunday the developing countries the diate access to new money. And have a point.

CAMPAIGN: No Year for Women

Continued from Page 1 years ago and can even be a

handicap. Since the raw anger over the Supreme Court confirmation hearings of Clarence Thomas who was accused of sexually harassing a former colleague has subsided, many female candidates say they do not think it is watching California to see if helps to emphasize their sex.

In a turnabout from two years ago, it is the men who now see the benefit of playing up the sex of their female opponents. Crime rather than the economy has become the central issue in crime.

Even the women who were elected to the House of Representatives in record numbers in 1992 are finding the excitement over their victories short-lived. They are now considered insiders, and most of them are Democrais — not a sure-fire recipe for victory this November. As a considered endangered.

"We're talking about a year where there is less opportunity. where many of the women elected in 1992 are running for re-election in a much tougher political climate," said Harriett Woods, president of the Na-tional Women's Political Caucus, who lost two Senate races in Missouri in the 1980s.

"There has just been an apathy among all the electorate. Women may suffer from it, but I don't think it's people saying, 'Oh, we aren't going to support

Another dynamic playing against women, pollsters say, is that voters generally find it easier to vote for a woman for a legislative job like senator rather than for an executive post like governor. And this year, as compared with 1992, there are many more gubernatorial con-

Here in Illinois, Ms. Netsch has not recovered from a barrage of commercials after the primary in which Governor Edgar attacked her for opposing the death penalty. At the time, her campaign did not have the money to respond to him, and her popularity in the polls plummeted.

Struggling to climb back, Ms. Netsch's senior aides met with worried party leaders last week and decided to redouble efforts to mobilize women and other groups who historically are reliable Democrats.

Women are demoralized for some reason," Kay Clement, a veteran Chicago political orga-nizer and Ms. Netsch's closest friend, said during a women's luncheon. "They aren't coming out with the support that they did two years ago."

In other states, women have Ms. Netsch in inoculating hermore hopeful stories to tell. self from attacks on the crime veral have fought off aggressive challenges from male opponents to win primaries.

The Democrats waging competitive, if not winning, races for governor include Kathleen Brown in California, Bonnie Campbell in Iowa and Myrth York in Rhode Island. At least two woman are favored to win election to the Senate, Olympia Snowe, a Republican in Maine, and Ann Wynia, a Minnesota

Democrat. Even so, there are just as many examples of women who waged vigorous primary campaigns with help from national women's groups but lost to male rivals who in most cases were better financed.

Lynn Yeakel, who in 1992 capitalized on the furor being directed at Senator Arlen Specter for having voted to confirm Justice Thomas to the Supreme Court and won the Democratic Senate primary in Pennsylvania, before losing in the general election, did not even make in past this year's gubernatorial primary. On the Republican side, a former radio talk show host,

Ronna Romney, was edged out in Michigan's Senate primary. "What you find as a woman is that the normal networks just aren't open," Ms. Romney said in an interview on the eve of her primary. "We literally had to create a whole new universe and whole new finance universe."

Whatever degree gender plays in the elections next

month, the results will inevita-bly be compared with those of 1992. As Senator Patty Murray. a Washington Democrat who was elected two years ago, declared last week at a Los Angeles fund-raiser for Senator Dianne Feinstein, a California Democrat: "The entire nation women are up to the job. If the Year of the Women ended in 1992, what does that mean to

our daughters?" If Ms. Feinstein survives a challenge from a well-financed Republican, Representative Michael Huffington, and Ms. suffer from a stereotype that they are not as tough as men on the wilson, California will be the first state where the top three office-holders are women. The state's second senator, Barbara Boxer, is also a Democrat.

While Republicans are too savvy to make any sexist appeals that the state is not ready for three women in control, Ms. Feinstein and Ms. Brown are result, more than a third of the 48 female House members are not going out of their way to emphasize their gender. They seem to be trying to preserve their expected support from women without losing male voters. It is a striking contrast to Ms. Feinstein's failed bid for governor in 1990, when she emphasized the historic prospect of becoming the state's first female governor.

Even with diminished voter turnout this year, Mr. Wilson says, Ms. Brown's sex gives her an edge. "There are a certain number of women who avowedly say that they will vote for her because she's a woman, purely because of gender," the gover-nor said in an interview. "There are certain stereotype prejudices that work for and against men and women."

But another stereotype probably works to Mr. Wilson's benefit: crime. Like Mr. Edgar in Illinois, Mr. Wilson has repeatedly castigated Ms. Brown for her stance against the death penalty -- though both she and Ms. Netsch say they would enforce the law on the books. While his attacks would probably work on male opponents, pollsters say they are all the more effective on women.

Don Sipple, the media con-sultant for Mr. Edgar, Mr. Wil-son and George W. Bush, who is running for governor in Texas against Governor Ann Richards, has created look-alike . television commercials in all three states that warn viewers: that the Democrats are too easy

Though it may be too late, Ms. Netsch has begun fighting back with a commercial in which she promises to build more prisons if that would keep criminals off the street.

وقعارا ووالم

Ms. Richards has had an easier time than Ms. Brown and issue because she is for the death penalty and has cultivated a tougher persona. "She not only supports the death penalty," Ms. Netsch said, "but she's gung-ho about it."

Zhirinovsky Meets With Officials in North Korea

TOKYO - Vladimir Zhirinovsky, the Russian ultranationalist leader, met North Korean officials Monday and told them he was a keen student of Korean socialism, the official press agency, KCNA, reported.

Mr. Zhirinovský, heading a delegation of his Liberal Democratic Party to the North Korean capital, had talks with officials of the Korean Workers' Party on "issues of mutual concern," the press agency said in a report monitored here

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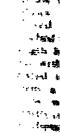
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Clockwise from upper left. Moschino's flower print dress, in from of a portrait of the designer; Isabella Rossellini in a brocade tuxedo with lace bra by Dolce & Gabbano: glazed stretch jersey skirts with blouses from Istante by Versace; Oliver's Dietrich dress by Valentino; long jacket and asymmetric skirt with shorts by Emporio Armani.

Designers Go to Old Movies

By Suzy Menkes mational Herald Tribune

Loren may have turned 60, but the memory of her voluptuous curves, luscious legs and handspan waist lingers on. Italian fashion has gone hell for feather for glamour, and the shows are an homage to cellu-

"Pinups!" said Donatella Versace to sum up the Veronica

MILAN FASHION

Lake hairdos, the Betty Grable playsuits and the Some-Like-It-Hot pants in the Versus show.

"Markene Dietrich — to me he was a symbol of glamour, emininity, high heels," said valentino as his Oliver show certing to see the Dolce & Gabbana look to the life in Vogue's retrospective of fashion photographs. eatured moonbeam-blonde nodel Nadja Auerman writhng in Blue Angel attitudes and irop-dead dresses.

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Resturment

So it is movie time in Milan. Dolce & Gabbana enforced hat message by sending Isabela Rossellini - the daughter of ngrid Bergman - down the unway in a pastiche of 1930s, 40s and '50s glamour — all moldering corset dresses, silkn pajama pants, elongated cigrette holders and wafts of maribou feathers.

It took Giorgio Armani to let ome fresh air into this steamy cenario. His Emporio line Monlay focused on bosoms, brief semlines and even — a first for im — some spindly stiletto icels. It seemed modern and redible, as long jackets over rief skirts or dresses fluttering n layers of chiffon came in wa-

ery, sand and shell pink colors. Even Armani focused on egs, extending from a brief liced-away skirt with attached horts.

"You can look at a period iut not repeat what you saw."
Armani says. "Fashion is insistng on glamour, but women low move differently and live lifferently. It is ridiculous just o do cinema."

There is something forced ibout the high voltage glamour now beaming from glossy mag-tzine covers while as yet leaving lardly a red-lipstick smear on public taste. Even at the sophisicated soirée at La Scala on Sunday, celebrating 30 years of talian Vogue, the fashion rowd was wearing its usual so-

er black. If you took away the silverscreen styling — the feather boas, cigarette holders and stilettos - from Dolce & Gabbana, there was nothing much there save some pretty nice clothes. The strongest suit of Stefano Gabbana and Domenico Dolce is tailoring taut to the body. The fitted coat, stroking the curves, stopping just over

line that fashion calls the New Length. Although it sort of worked for stretch dresses, anything that hobbles the knees seems backward looking, and other dresses with short swingy

skirts were more liberating.
Since Dolce & Gabbana made their reputation with corset dresses, the many variations on that theme were spirited. But a lot of the long show seemed like reinterpretations of the '40s as viewed in the '70s: narrowcut trench coats or safari jackets reflecting Helmut Newton's gendary photographs of Yves aint Laurent collections; or the disco delirium in images by Chris Von Wangenheim, a Newton protégé. It was discon-

graphs.
The merit of Gianni Varsace's showing of secondary lines was that they spoofed film star glamour in a witty way. You had to smile as models pranced out in playsuits printed with flowers or butterflies (prints are hot for the summer season). Feathers fluttered, bosoms bounced in corset tops, hot pants (another '70s revival) are cool again. The Versus line was a cute take on disco dressing, with the kind of rosebud trimmings_that_once used to

shout My First Bra. ACK to the 1940s and '50s was the look at Versace's Istante line, but the designer is smart enough to see that you can update that look with modern fabrics. The show opened and closed with busty blouses. cinched waists and skinny kneelength hemlines à la Loren but with the skirts made in a glazed stretched jersey to give them a cyberspace spin. The show was sometimes kitsch. mostly commercial, and the simple dresses fluttering to handker-

chief point hems were well done. Armani also made much of the dress, making it short and cute in layered chiffon or butter-soft suede, and in subtle seashore colors from aquamarine to seaweed green. Legs, in mesh hose, were exposed below fluted hemlines or more awkward

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SEPTEMBER 29 - OCTOBER 8

the knee, made sense of a hem- asymmetric miniskirts with name, running in the wake of a

houette in the best of taste. The death last month of Franco Moschino has robbed Italian fashion of its gadfly — a designer who could poke fun at fashion while at the same time making streamlined modern clothes. His spirit lives on in the spring/summer collection dominated by the fresh flower prints he chose for of La Dolce Vita. The bright

barely-there skirts showed Ar-

mani's skill at re-shaping the

torso, even adding brassiere seaming to give a shapely sil-

"He liked the period and to the vulgarity of now," said Rossella Jardini, Moschino's collaborator and the head of the 21-person design studio, who will continue the business.

1960s designer Ken Scott.

Also in the Moschino image are his signature jackets, hand-painted or appliqued with flow-ers. A black handprint on the back of a white jacket signifies the "clean hands" corruption probe — a characteristically provocative gesture from a designer mourned throughout the fashion world.

Saturday saw a party for Rosita and Tai Missoni, who from Dolce & Gabbana. brought their retrospective of 40 years of colorful and inventive work to Milan, after its July showing in Florence. On Monday, Missoni showed its collection inspired by the siren call of the sea: mixes of Mediterranean blues for the signature patterned knits; easy tunics with pants, or briefer jackets with short fluted skirts. Mermaid dresses in waves of pattern and texture were dressed up with frond necklaces or patterned espadrilles.

Monday's other shows were about -don't hold your breath —glamour. It was dispiriting to see Byblos, once a lively fashion is gorgeousness."

matching underpants. A finale trend for shiny fabrics, glitter of 12 white jackets over the sequins, space age silver and little girl dressing. Although shapely pantsuits with flaring trousers made the most grown up part of the collection, Byblos endorsed a strong trend in Milan toward the dress.

curvaceous dresses with a touch trend. Last season Lolita. This season disco (hot pants and florals were an homage to the shine and sophisticated ladies satin skirts in sweet-pea colors will look quite normal strippe of stilettos, garter belts, seamed hose and all that glam.

> UT if glamour is so seductive, how come no one, even in the fashion industry, is wear-

ing it?
"It's one thing to create an image on the runway - when you do it for life you adapt it," said Isabella Rossellini, who is vamping it up in all the shows, but for the Vogue party chose a simple black georgette dress, worn with low-heeled boots,

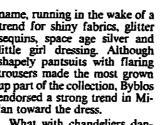
It was the same story for Joanna Lumley, star of the British fashion sitcom "Absolutely Fabulous," in which she plays a fashion editor who is a caricature of over-the-top glamour. To watch the feather pompoms, shiny stretch skirts, bra tops and hot pants at Versace's Istante show, Lumley wore a plain black dress by Prada under a beige cardigan. But she insists that glamour is good — at least on the screen.

"I love it," she said. "We've done realism. We've studied the cigarette butts on the pavement. What sustains the human spirit

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What with chandeliers dangling over the runway, poodles in the models' arms and dianecks, the glamour message was none too subtle at Blumarine, where stylist Anna Molinari always gears up to the current Pastel knits worn with pleated





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Japan **Spurns Talks**

Sanctions Threat Scars Trade Pact

Compiled by Our Staff From Dispatches TOKYO - Japan said Monday it would refuse to return to trade talks with the United States while it remains under the threat of U.S. sanctions on imported Japanese auto parts.

"We won't hold talks as long as the United States threatens to impose sanctions under the 301 trade law," said Nobuo Ishihara, vice cabinet secretary.

"That's something the United States is doing unilaterally," he said. "In those conditions, we can't resume negotiations."

Separately, Prime Minister Tomiichi Murayama of Japan said: "We expect to need a long time to discuss the matter. We need a cooling-off period," Trade Minister Ryutaro Ha-shimoto echoed Mr. Muraya-

ma's remarks when he met business leaders from the Japan Federation of Economic Organizations, the nation's largest business group.

Mr. Hashimoto said Japan

could not bridge the gap in the auto part negotiations because Japan had no intention of accepting a U.S. demand for purchase plans. "A certain period of cooling-off time is necessary," he said. Mr. Hashimoto, who along with Foreign Minister Yohei

Kono led the Japanese delegation to Washington, added: "No easy conclusion can be expected for a while, as we have a fundamental gap."

During the weekend talks, Japan and the United States reached broad agreement on insurance, government procure-ment and flat glass markets, but failed to settle the issue of autos and auto parts - a key sector that accounts for 60 percent of Tokyo's \$60 billion trade surplus with Washington.
(AFP. Reuters)

A Sound Technology War Disks Battle Tapes for Market Share

By Steven Brull

International Herald Tribune TOKYO - Young people, whose tastes will

make or break the next generation of digital audio, are quite clear about two things: Disks are preferable to tapes, and reliability and random access are more important than price.

Two years ago, when Sony Corp. unveiled the Minidisc and Philips Electronics NV and Matsushita Electric Industrial Co. rolled out Digital Compact Cassette, it was a toss-up which technology would win.

MiniDisc, which uses an optical disk much smaller than a compact disk, boasted an ability to record at near compact-disk-quality levels, the convenience of random access and the reliability of disks.

Digital Compact Cassette allowed users to make full-fledged compact-disk-quality recordings on digital tapes. Equally important, it maintained compatibility with compact cassettes — the biggest existing format. Its hardware and blank software were also slightly change that Minipier. ly cheaper than MiniDisc.

But while Digital Compact Cassette is stronger in Europe, and MiniDisc shines in Japan and North America, global sales of MiniDisc are likely to approach 900,000 units this year. The amount is at least double, and possibly several times, that for Digital Compact Cassette. And next year, the gap is cer-tain to grow even larger as MiniDisc sales accelerate and Digital Compact Cassette growth remains constant, at best.

The divergent success of the two formats is in part a reflection of differing marketing strategies and regional economic growth. But

it's clear that the main reason is simply that disks are in and tapes are on the way out. "The younger generation that is doing most

of the buying finds more appeal in the CD than tape, so there's more interest in the MiniDisc," said Jeffrey Camp, an industry analyst at Jardine Fleming Securities.

While the battle is still in its early days, there s growing possibility that Digital Compact assette may join the list of consumer audio duds that include the eight-track cartridge cassette, quadraphonic sound and the ill-fated digital audio tape player of the mid-1980s.

The preference for MiniDisc is particularly

strong in Japan and North America, a reflection of the market penetration of compact disks. In most European countries, though, cassette tape has a greater market presence —
mostly because of the efforts of Philips, the Dutch consumer electronics giant, which holds the patent on the music carrier. That, in turn, is a major reason why Philips is pushing Digital Compact Cassette.

Digital Compact Cassette is like going

back to the '50s or '60s." said David Benda, an analyst at Barclays de Zoete Wedd. "Philips is trying to protect something which is dying. Give it a few years, and it will die a natural death." MiniDisc's success also has a lot to do with

marketing strategy that stresses the format's features and makes its magneto-optical technology as transparent as possible.

Digital Compact Cassette's approach, in contrast, has focused on audio quality and its compatibility with analog cassettes. Sony's strategy centers on educating poten-

See SOUND, Page 13

U.S. Data Send Chill to Markets **Across Europe**

Compiled by Our Staff From Dispatches LONDON - Stocks ter," a Treasury bond trader at plunged across Europe on the Chicago Board of Trade Monday, sending many leading said of the report. indexes toward their lows for British stocks the year, amid concerns about

man markets were closed for 63 percent. the Unification Day holiday.

"It's difficult to see any upside," said Andrew Bell, European strategist for BZW Global Economics. "There's a risk of further general crumbling in eq-

uity prices."
Government bonds fell and their yields rose in line with the rise in yields of the benchmark 30-year U.S. Treasury bond after the National Association of Purchasing Management said its purchasing managers' index rose to 58.2 in September from 56.2 in August. The index of economic activity in the United States had been widely forecast to rise to 57.

British stocks were among the worst performers of the day, rapid U.S. economic growth led by a 15 percent plunge in and falling government bonds. shares of S.G. Warburg Group Leading stock averages fell PLC after the investment bank more than 2 percent in Italy and said turmoil in financial marl percent in Britain, France, kets would cause first-half pre-Spain, and Switzerland. Ger- tax profit to fall by as much as

The FT-SE 100 Index of leading British shares declined 42.8 points, to 2,983.5, its lowest since July 13.

Italian and Spanish stocks plunged amid speculation that German rates would increase, leading to higher rates in those countries and making it more expensive for their governments to pay off the massive debts

they carry.
The Italian Mibtel Index fell 252 points, to 10,585, while the Spanish Ibex Index fell 50.66 points, to 3,125.97, led by a sharp decline in shares of the

See MARKETS, Page 13

U.S. Purchasers Say Prices Are Rising

NEW YORK - Manufacturing in the United States raced ahead in September, but higher materials prices suggest that inflation at the producer level is rising, according to a survey by the National Association of Purchasing Manage-

ment released Monday The association said its index of factory activity rose to 58.2 in September from 56.2 in August, while its index of prices paid jumped to 77.1 — the highest since August 1988 - from 74.5 in August.

The data could spark the

Federal Reserve Board to raise index reading in the survey interest rates soon to slow the economy and rein in inflation.

"The economy is growing." said Sam Kahan, chief economist at Fuji Securities in Chicago. "A Fed tightening is becoming etched in stone."

The survey showed manufacturing activity accelerating more quickly than many analysts had expected. David yss, an economist at

DRI/McGraw-Hill in Lexington, Massachusetts, said the data reflected strong demand for cars, computers and home

The purchasing managers association, based in Tempe, Ari- Friday. Inflation erodes the valzona, surveys managers at more ue of fixed-income securities. than 300 U.S. industries. An

above 50 indicates an expansion of activity at U.S. factories. while a reading below 50 indicates a decline.

The data are widely followed by economists and the financial markets.

"It's bad news on the inflation front, obviously," said Mike Niemira, manager of economic research at Mitsubishi Bank.

The report's indication of strong growth accompanied by rising prices sent the price of the benchmark 30-year Treasury bond down 12/32 point, to 95 31/32, and the yield up to 7.85 percent from 7.81 percent

bat inflation with higher rates. That is when the Labor Department is scheduled to release employment data for September. A gain of a quarter-million or more new jobs could push the Fed into action, especially in concert with purchasers' data, analysts said.

move as soon as Friday to com-

They pointed out that while the association's prices paid index did not measure the magnitude of the price increases, it showed more businesses were paying higher costs for raw materials. Eventually, higher factory costs could be passed on to

"Purchasing executives continue to identify the increase in See GROWTH, Page 12

Blacks Invest With PepsiCo In South Africa

Compiled by Our Staff From Dispatches PURCHASE, New York PepsiCo Inc. said Monday it had gathered a group of prominent black investors, including the actor Danny Glover and the basketball player Shaquille O'Neal, to invest \$15 million in its new South African bottling venture.

The announcement coincided with a visit by President Nelson Mandela of South Africa to the United States. Mr. Mandela is seeking to encourage in-

vestment in his country. In June, Pepsi said it would invest \$100 million over three years through New Age Beverages. New Age is 75 percent-owned by

Egoli Beverages LP, with Pepsi owning the rest. The celebrity investment group is putting \$15 million into Egoli. Besides Mr. Glover and Mr. O'Neal, who appears in Pepsi advertisements, the group includes two New York politicians: Percy Sutton, a former borough president of Manhattan, and Charles Johnson, a former state legislator. The singer Whitney Houston and Motown Records Co.

also are investing. "It is important we take an opportunity to open our checkbooks and put our money where our mouth is," Mr. Glover said.

Coca-Cola Co., Pepsi's main rival, has about 90 percent of South Africa's cola market. Pepsi said it withdrew from the country in 1985, responding to international sanctions.

Thinking Ahead /Commentary

For more information about the Index, a booklet is available tree of charge. Write to Trib Index, 181 Avenue Charles de Gautle, 92521 Neutity Cedex, France.

Capital Goods

Don't Blame Trade for Lower Wages

By Reginald Dale International Herald Tribune

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TASHINGTON — Maybe Karl Marx had a point after all. Perhaps just one predic-tion widely ascribed to him - that capitalism would ultimately depress the wages of the proletariat - is about to come true.

The culprit, according to some economists, is that eminently capitalist concept, free trade. They argue that growing competition with low-wage developing countries will drag down wages in the industrial world - particularly those of unskilled workers.

Not so, say Jagdish Bhagwati and Vivek H. Dehejia of Columbia University in a book called "Trade and Wages" just published by the American Enterprise Institute in Washington. They argue, almost certainly correctly,

that technical progress — especially the widespread use of computers - has depressed unskilled wages far more than trade is ever likely to.

But many people still have a gut feeling that trade is to blame — for low wages in the United States and for high

unemployment in Europe. Those fears are being exploited by American opponents of the Uruguay Round trade package, now before Congress — just as they were by opponents of the North American Free Trade Agreement a year ago.
There is a magnificent irony to all this,

Park

as Mr. Bhagwati and Mr. Dehejia point out. During the 1950s and 1960s, many countries in the developing South saw

trade with the developed North as a threat, fearing that without protection they could never industrialize.

Since the 1980s, however, "there have been fearful voices in the North, dreading trade with the poor South as a recipe for descent into the wages and working conditions of these impoverished nations,"

Even if wages converged around the world, it would not necessarily mean a 'race to the bottom.'

the two economists wrote. Conversely, many in the South now see trade with the North "as an opportunity, not a peril." Some of the arguments now being deployed on this front in the United States are polemical to the point of hysteria:

They ignore the evident fact that developing and developed countries usually benefit from mutual trade. Initial reports suggest that NAFTA has led to a boom in trade between the United States and Mexico that is advantageous to both countries. There is no evidence that

it is depressing American wages.
But one economic theory — known by
the unappetizing name of factor price equalization - contends that trade with poor countries with plentiful unskilled labor reduces wages of less skilled workers in rich countries.

Advocates of the theory point to the

CURRENCY & INTEREST RATES

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United States, where relative wages of less skilled workers declined in the 1970s and 1980s, coincidental with a steady

increase in the U.S. trade deficit. Mr. Bhagwati and Mr. Dehejia sav the assumptions underlying the theory are simply wrong - that the theory fails to take account of the uneven spread of technology and know-how around the world, the effects of economies of scale and different mixes of capital and labor in producing the same product.

If the theory were true, they say, prices of American goods produced by low-skilled labor that compete with imports would be declining, whereas in fact they

are rising.

Even if wages converged around the world, it would not necessarily mean a "race to the bottom," as some protectionists maintain. There have been huge wage increases in many countries that started out as low-wage competitors to the West.

Japan is only the most obvious example.

Of course, companies will continue to move to low-wage regions for some production functions. Heightened worldwide competition has certainly helped to restrain wages in industrial countries. But low wages are less and less a factor in modern production techniques and in-

vestment planning.
Unfounded fears of a "race to the bottom" are no reason to restrict free trade, which is more likely to raise wages all around. The best way to ensure Karl Marx's prophecy comes true would be for the capitalists he despised to embrace protectionism —as they did in the 1930s.

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U.S. Unions Discover Less Is More

Analysts said the Fed could

By Frank Swoboda

, Washington Post Service WASHINGTON - Years of contraction in the unionized work force at U.S. manufacturing companies have created a paradox in labor-management relations: The more unions shrink, the stronger they may be

"We are seeing the end of the docile decade," a top corporate executive said Friday, referring to the 1980s, when unions stood by powerless as company after company reduced its work force to restore profits and boost productivity.

Settlement of a three-day strike against General Motors Corp.'s "Buick City" complex by the United Auto Workers union Friday underscores some of that emerging new sway. The strike, which focused on GM's rights to hire temporary workers, appears to have ended on terms favorable to the union.

On the eve of the 1980s, plant making parts to curtail 24,000 UAW members were assembly of the final product. working at Buick City. As GM now consolidates its operations nationwide, there are only 11,000 union members left.

But in the intervening years, GM, like many other U.S. manufacturers, has undergone a major restructuring, reducing its number of suppliers and adopting Japanese-style just-in-time parts delivery to its assembly plants.

entire assembly operations.

manufactured a single model at weeks or months for a strike at a left."

Retired UAW President Douglas Fraser said the shift in U.S. manufacturing practices has made employers much more vulnerable to union pressures. "Since the 1930s, we've never been in a position where the power relationship has been so much on the union side," Mr. Fraser said Friday. Moreover, every worker is

The result has made GM now more important in the promuch more vulnerable to the duction process. "Unions may demands of the union at key not have as many people, but operations such as Buick City they control a hell of a lot of or Anderson, Indiana, where a capital equipment in factories, brief UAW walkout last sum- said a labor relations analyst in mer threatened to shut GM's one of the nation's largest manufacturing firms. And as com-In the old days, assembly panies continue to trim the plants had a large supply of ranks of their management parts on hand and GM often staff, he said, "the worker becomes very indispensible. We several plants. It could take don't have any supervisors

(Bloomberg, AFP)

Sweden's Record Short Honeymoon

By Erik Ipsen
International Herald Tribune
STOCKHOLM — The Social Democrats have not even resumed their accustomed place as the ruling party of Sweden, but already analysis are saying the country's huge deficit could force them out of office before the end of winter.

The problem that many say could prove the undoing of the government concerns plans to trim Sweden's massive government deficit. This year it is forecast to total slightly more than 14 percent of Sweden's gross domestic product.

"The political risk is still there," said Roy Berg, chief equity analyst for Credit Lyonnais in Stockholm. The Social Democrats this week return

to power after three wholly unaccustomed years in the wilderness - only their second three-year sunt out of office in the last 60 years — a chastened party. They stress their determination to follow the lead of the outgoing center-right government of Carl Bilds and to rein in the deficit.

Spurred by volatile financial markets and immense pressure on the currency in the late summer, the Social Democrats departed from practice and outlined tough tax and spending plans in the midst of the election campaign. Their plan, which they unveiled in August, involves a reduction in the deficit totaling 50 billion krona (\$7 billion) over the next four years, compared with a revenue shortfall forecast to be upwards of 200 billion krona this year alone.

While welcoming that plan, many questioned the ability of a minority government to deliver on its pledges. Even worse, most argue that those plans still fall woesee this as a step in the right direction but as being insufficient," said Klas Eklund, a former treasury official who is now chief economist at SE Banken. In fact, analysts insist that when the

government presents its first budget in January it will need to come up with plans to cut the deficit by double its present

While Sweden's new finance minister in waiting, Goran Persson, has expressed a willingness to come up with additional

Many analysts also express unhappiness about the deficit cuts envisioned by the Social Democrats. Roughly, they are split 50-50 between tax hikes and spending cuts.

deficit cuts if necessary, analysts openly wonder if he and his ministerial colleagues can actually sell them to Parliament.

"We are a bit pessimistic," confessed Tomas Pousette, senior economist at Nordbanken. He and others say turbulence in the financial markets could precipitate a government crisis by the spring. one that could result in a new majority

coalition government taking power. Many analysis also express unhappiness

fully short of what is needed. "The markets" about the nature of the deficit cuts envisioned by the Social Democrats. Roughly, they are split 50-50 between tax hikes and spending cuts.

"We already have the highest taxes in

the world, and to put more taxes on top of those is a step in the wrong direction," said Mr. Berg, pointing in particular to plans for a "temporary" rise in the top marginal tax on incomes from 50 percent to 55 Others admit they find it hard to believe

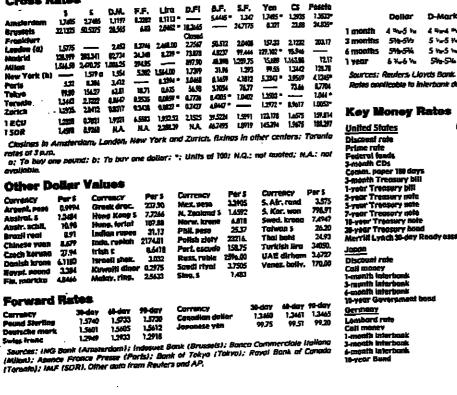
that more scope cannot be found to slash spending, Mr. Eklund, for instance, reckons that the spending cuts already an-nounced total 2 percent of state spending. "Most foreign investors might not be too impressed with a country that has the biggest public sector in the world managing to cut only 2 percent of that spending," he

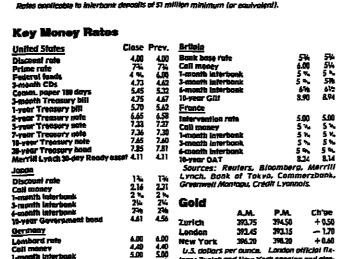
Analysis say a failure to meet market expectations of cuts that are double what the Social Democrats have announced to date would dash any hopes of reducing the huge risk premium that international investors now place on Swedish bonds. Ten-year Swedish interest rates stand at 11.3 percent, compared with inflation of only 5 percent.

Those rates — nearly four percentage points above those of Germany - are a major deterrent to investing in Sweden. With an unemployment rate close to 9 percent, a multiple of the historic norm. and with that rate close to 14 percent when

workers on state sponsored training schemes are added to the total, Sweden's

See SWEDEN, Page 12





EUROPEAN FUTURES

closed mixed on Monday after moderate, with 269.12 million a report showing strong manu-shares changing hands on Monfacturing activity in September day compared with 291.93 milhad bolstered expectations that lion shares on Friday. the Federal Reserve soon would

U.S. Stocks

traded during the session.

Fed and this report confirms fourth-quarter earnings. that view," said Jeffrey Appleat CS First Boston Corp.

falls because the strength in fac-tory output bodes well for man-million. ufacturer earnings and shares. traders said.

That expectation helped the up 3.70 points at 3,846.89, led by Alcoa and Goodyear. The Oxfor initially, then fell as much as 17.16 before computer-guided buy orders restored prices.

Two stocks fell for every one contracts.

that rose on the New York NEW YORK - U.S. stocks Stock Exchange. Trading was

Alcoa gained 11/2 to 85% and raise interest rates to cool infla- Goodyear climbed 11/6 to 341/2, on.

Semiconductors paced the renomic growth. "People are treat after a profit warning thinking the deeper cyclical from Advanced Micro Devices, companies are going to report impressive earnings.

The Nasdaq composite index led by Intel Corp., declined 3.51 points to 760.91. Intel a computer chip maker whose dropped 14 to 604 and Adstock was the most actively vanced Micro Devices stumbled 3¼ to 26½ after AMD told "We've had the view the analysts that price cuts on mieconomy is too strong for the croprocessors could hurt

CareNetwork Inc. soared gate, chief investment strategist 131/2 to 24 after Humana offered t CS First Boston Corp. to acquire the parent company Stocks did not post greater of Wisconsin Health Organiza-

Healthsource jumped 11/2 to 37. The health maintenance organization was rated above av-Dow Jones Industrial Average erage for the intermediate term overcome early losses and close and a long-term buy by Merrill and a long-term buy by Merrill

Oxford Health Plans rose 1/2 average rose as much as 8.74 to 781/2. New York state insurance regulators granted the company's requested 8 percent average rate increase on some

GROWTH: Prices Rising in U.S.

Continued from Page 11 materials prices as a major concern," said Ralph Kauffman, chairman of the purchasing association's survey committee.

For now, most companies are encountering stiff competition at home and abroad and are hesitant to raise consumer prices, Mr. Kahan said. While higher U.S. interest

Foreign Exchange

rates are designed to blunt higher prices, critics say they also could slow the economy too much. Some point to government data, also released Monday, showing a 0.2 percent drop in construction spending in Au-

The drop in construction States. spending was the first since

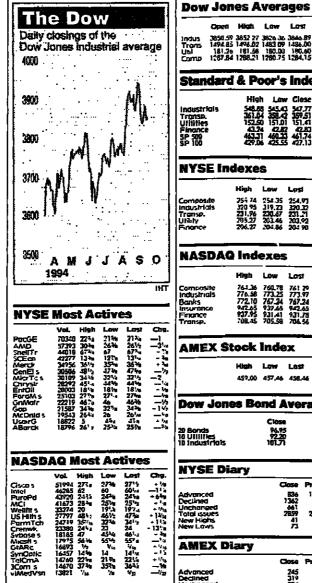
ly February when the Fed started raising interest rates.

(Bloomberg, AP) ■ Dollar Bucks Bond Drop The dollar was able to withstand pressure from a strug-gling bond market to finish in

New York slightly higher against major currencies, news agencies reported. The partial trade agreement reached over the weekend between the United States and Japan kept a floor under the U.S.

currency, traders said. The agreement convinced some currency traders that the U.S. government would not, at least for now, resume calls for a stronger yen to curb the Japan's trade surplus with the United

The dollar edged up to 1.5540 February, and analysts said it Deutsche marks from 1.5501 provided evidence that higher DM Friday, to 99.55 yen from interest rates had already start- 99.16 yen, to 5.3020 French The rate on 30-year fixed-rate mortgages averaged 8.51 percent in August, up from the 6.97 percent average rate in ear-



BRENT CRUDE OIL (IPE) Standard & Poor's Indexes 543.6 55.4 57.7 - 0.4 361.04 351.4 57.51 - 0.58 152.50 151.01 151.6 - 1.09 43.74 42.82 42.61 - 0.29 43.31 40.33 461.74 - 0.55 427.06 425.55 427.13 - 0.99 **NYSE Indexes** Kigh Low Lost Chg. Stock Indexes 751 74 751 35 254.9] -0.59 300 95 319.23 290.23 -0.31 231,96 220.57 231.71 -0.45 795.27 203.46 203.92 -1.34 206.27 204.86 203.90 -1.84 metric fon 1004.50 1007.50 1004.90 1007.00 1030.00 1031.00 1029.00 1030.00 2038.0 3038.0 3041.0 2786.0 3038.0 3029.0 ne: 14,640. Open **Financial** Est. volume: 14,640. Open int.: 55,631.

CAC 46 (MATIF)
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Est. volume: 18,820. Open int.: 61,832. **NASDAQ** Indexes Sources: Maill, Associated Press Landon Int'l Financial Futures Exchange Int'l Patroleum Exchange. **AMEX Stock Index Dividends** 3-MONTH EURODOLLARS (LIFFE) \$1 million - pts of 100 pcf High Law Last Chg. 457.00 457.46 458.46 --0.35 Penn Sa MutFd Zweig Stralegy A Zweig Tr Prior Sel **Dow Jones Bond Averages** 3-MONTH EUROMARKS (LIFFE)
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100 REVERSE STOCK SPLIT Horris Corp 1-20th of a stage of Harris Com-puter Systems for each stage of Harris Corp held. Close 94,95 92,20 101,71 0 Bonas 8 VIIIII les 10 Industrials NYSE Diary 836 1362 661 2859 41 73 Declined Unchanged Total issues New Highs New Laws AMEX Diary 245 319 224 788 16 29 **NASDAQ Diary** Close Prev Spot Commodities Industrials Teday 0.727 1.24 213.00 0.40 5.64 110.17 3.6256 0.5063 High Low Last Settle Chige

SWEDEN: Honeymoon Ending Before It Begins

AMEX Most Actives

Market Sales

economy still bears the scars of

The Sao Paulo stock market was bership.

For the moment analysts say its worst recession this century. that investors are simply assum- with Svenska Handelsbank pre-A huge boom in exports, fu- ing that both questions will be dicts that perhaps by the end of eled by the devaluation in the resolved favorably. Even those the decade Sweden could meet share. krona two years ago, is leveling off. For its next growth phase Sweden badly needs more investment in plant and materials the Maastricht criteria that sets though, he said, "That is impostant the Maastricht criteria that sets though, he said, "That is impostant the Maastricht criteria that sets though, he said, "That is impostant the Maastricht criteria that sets though, he said, "That is impostant the Maastricht criteria that sets though, he said, "That is impostant the Maastricht criteria that sets though, he said, "That is impostant the Maastricht criteria that sets though, he said, "That is impostant the Maastricht criteria that sets though, he said, "That is impostant the Maastricht criteria that sets though, he said, "That is impostant the Maastricht criteria that sets though, he said, "That is impostant the Maastricht criteria that sets though, he said, "That is impostant the Maastricht criteria that sets though, he said, "That is impostant the Maastricht criteria that sets though, he said, "That is impostant the Maastricht criteria that sets though, he said, "That is impostant the Maastricht criteria that sets the Maastricht criteria th - investments that hang in the forth the goals of government sible." At present, Sweden's inbalance with both the deficit deficits totaling no more than 3 debtedness stands at 88 percent reduction debate as well as with percent of GDP and total govoring.

the referendum on EU mem- ernment indebtedness of no Mark IV Industries Inc., which more than 60 percent.

Hans Sterte, an economist

Mark IV Targets Purolator

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C .11 11-4 11-18 Q .125 16-7 16-14 M .84 9-30 16-14 M .640 16-31 16-31 M .651 9-30 16-14 M .652 16-31 16-31 M .652 9-30 16-31 16-31 17-16-31 17-16-31 17-16-31 17-16-31 17-16-31 17-16-31 17-16-31 17-16-31 17-16-31 17-16-31 17-16-31 16-31 16-31 17-16-31

Bloomberg Business News AMHERST, New York owns 4.7 percent of Purolator Products Co., said Monday it had agreed to buy the rest of the shares for \$264 million, or \$25 a

Purolator shares closed Monday at \$24.625. up \$6.625 from

Purolator makes automotive oil filters, while Mark IV's Dayco Products unit makes auto

pipes, belts and hoses.

U.S./AT THE CLOSE

Baxter Sells Unit to Bain Capital

DEERFIELD, Illinois (Bloomberg) — Baxter International Inc. said Monday it had agreed to sell its diagnostics unit to Bain Capital for about \$448 million to reduce debt and focus on fewer

Baxter will receive \$408 million in cash plus \$40 million in Bain product lines.

preferred stock or debt. The unit makes chemicals for clinical tests as well as laboratory and hospital systems that detect viruses and bacteria. Baxter said

the business had sales of more than \$700 million in 1993. Baxter decided to leave the diagnostics business in order to focus on faster-growing areas such as biotechnology and renal therapies as well as the international expansion of its medical supplies operation.

Humana Will Buy Another HMO

LOUISVILLE, Kennucky (AP) — Shares of CareNetwork Inc. a health maintenance organization, soared Monday after the company announced it would be bought by Humana Inc. for \$123

Humana is one of the largest managed care companies in the United States, with about \$3 billion a year in revenue and 1.8 million members in health maintenance organizations and other

It will pay a hefty \$25.25 per share for CareNetwork, which has about 90,000 members in Milwaukee and southeastern Wisconsin. CareNetwork shares closed Friday at \$10.875. Humana said the deal was part of a broad strategy to move into new markets.

Strong Chip Sales Help AMD Net

SUNNYVALE, California (Bloomberg) — Advanced Micro Devices Inc.'s third-quarter earnings rose 41 percent on continued

strong sales of microprocessors.

The nation's fifth-largest chip maker said net income rose to \$86.7 million, from \$61.3 million. Revenue rose 30 percent to \$543 million. The company said record sales of microprocessors and increasing sales of flash memory cards contributed to the sales

AMD gets about 25 percent to 30 percent of its revenue from copying Intel Corp.'s microprocessors. Digital Equipment Corp. announced Monday it would begin using AMD's 486 chips in Digital's personal computers.

Capital Cities Picks Up 2 Stations

NEW YORK (Bloomberg) — Capital Cities/ABC Inc. said Monday it would acquire two VHF television stations from SJL Broadcast Management Corp. for \$150 million.

The purchase of the two stations will bring the company's reach to a total of 10 stations with 24.2 percent of the nation's viewing

The stations being acquired are WJRT-TV in Flint, Michigan, and WTVG-TV, in Toledo, Ohio. WJRT-TV is an ABC affiliate, while WTVG-TV, is an NBC affiliate.

Magma Sets a Poison Pill Defense

SAN DIEGO (Bloomberg) — Magma Power Co. said Monday that it adopted a poison pill plan designed to foil California Energy Co.'s \$840 million takeover bid.

On Sept. 20, California Energy offered \$35 a share to acquire Magma in a merger that would combine the two biggest companies in the geothermal industry. The offer consisted of \$25 in cash

and \$10 in California Energy stock for each share of Magma. But Magma said that its board approved a shareholder rights plan that would allow its shareholders to purchase newly issued preferred stock as soon as any one shareholder acquired 10 percent or more of Magma's 24 million shares outstanding.

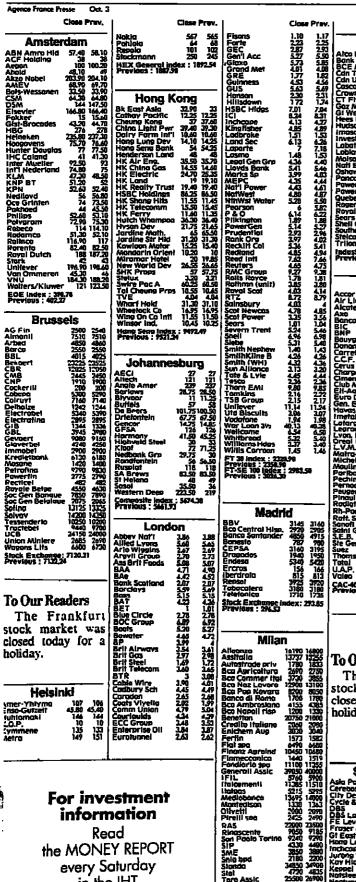
Weekend Box Office

The Associated Press

LOS ANGELES — "The River Wild" dominated the U.S. box office with a gross of \$10.5 million over the weekend. Following are the top 10 moneymakers, based on Friday ticket sales and

timated sales for Saturd	lay and Sunday.	
1, "The River Wild"	(Universal)	\$10.5 mil
2 "Timecop"	(Universal)	\$5.5 mil
3. "Joson's Lyric"	(Gromercy)	\$4.8 mil
4 "Forrest Gump"	(Paramount)	\$4.2 mil
5. "Quiz Show"	(Hollywood Pictures) (Butna Vista)	. \$3,4 mil)
& "Terminal Velocity"	(Buena Vista)	\$3.3 mil
7. "Clear and Present Danger"	(Paramount)	\$2,1 mli
B. "The Scout"	(Twentieth Century Fox)	11m à.12
9. "The Mask"	(New Line Cinéma)	\$1,1 mlf
0. "Natural Born Killers"	(Warner Brothers)	\$1,1 m)!

WORLD STOCK MARKETS



For investment information Read

the MONEY REPORT every Saturday in the IHT

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Lyonnais Recoups Investor Support

PARIS — Crédit Lyonnais M Bur Incolner 11/10 investment certificates rallied nearly 11 percent Monday as investors were encouraged by the steps the state-controlled bank was taking to tackle its problem loans.

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Poison Pill Defense

The bank's investment certificates, which differ from shares because they carry no voting rights, rose to 430 French francs (\$81) from 388 francs Friday, helped by recommendations from analysts who met with bank executives late Friday.

"Crédit Lyonnais believes it can get rid of a lot of rubbish and have it guaranteed by the state," one analyst said, adding that a buy recommendation from a brokerage concern had helped fuel the gains.

The French government last week agreed to inject fresh capi-tal into the bank if Credit Lyonmais had a second-half loss and

LVMH Says It Will Offer Stock Swap

PARIS — Arnault & Associes SA, the holding company for LVMH Moet Hennessy Louis Vuitton SA, said Monday it would offer a share swap to holders of shares in An Bon Marché SA and Financière

Agache SA.
The aim of the operation is to simplify the structure of the LVMH luxury goods maker, which comprises seven companies.

Under the proposal, Arnault said it would offer minority holders in Financière Agache one LVMH share and one share in Christian Dior SA -- another LVMH group member -- for each of their

shares. Agache would offer Au Bon Marché minorities five Dior shares and two LVMH shares for four Au Bon Marché shares, Ar-

nault said. It said these parities would give minority shareholders a premium of 25 percent to 30 percent over the market price.

The operation is not expected to not dilute LVMH and Dior earnings, because no new shares will be issued. The shares distributed to Agache and Bon Marche shareholders will come from equity stakes in LVMH and Dior.

thereby failed to meet interna-

In addition, Credit Lyonnais will remove more problem loans from its balance sheet, and the government will act as guarantor for them. The bank last week posted a loss of 4.50 billion francs for the first half, widened from 1.05 billion francs in the 1993 first half, including a provision of 8.90

tional capital requirements.

billion francs for risky loans. Analysts said Jean Peyrelevade, the chairman of Credit Lyonnais, had told them at a meeting Friday that from Jan. l, the state would cover losses arising from exposure to bad or doubtful loans.

But on Monday, Credit Ly-onnais said talk that the government would cover the losses on all the bank's troubled assets were "without foundation."

In any case, any fresh capital from the government would mark the second time this year that the state had had to bail out the bank. In March, the government and Credit Lyonnais's two other main state-controlled shareholders, Thomson-CSF and Caisse des Dépôts & Consignations, provided 4.9 billion francs of fresh capital.

The bank's apparent willingness to own up to its financial situation in a national advertising campaign over the past week also encouraged investors, analysts said.

(Bloomberg, AFX, Reuters)

■ Warburg Shares Plunge Shares of S.G. Warburg Group PLC plunged after the bank warned of lower profit be-

cause of volatile world securities markets, Reuters reported from London. Warburg said pretax profit for

the six months through September would be between £55 million and £65 million (\$86 million and \$103 million), down sharply from comparable year-earlier carnings of £148.8 million. Warburg shares fell to 569

pence from 670.

GATT Chief Sure of WTO

GATT estimated that the re-

ed to higher investment, accel-

erated economic growth and a

healthier climate for global re-

search and development and

According to the GATT

Secretariat, the Uruguay

Round should lift merchan-

dise trade volumes in member

countries of the Organization

for Economic Coordination

and Development between 7

percent and 8 percent over

what they would have been

EU Carmakers Attack Japan Pact

new product development."

Sutherland Says Deadline Will Be Met

\$235 billion.

Compiled by Our Staff From Dispatches MADRID - Peter Sutherland, director-general of the General Agreement on Tariffs and Trade, said Monday he was sure that the World Trade Organization would be implemented by Jan. 1.

Speaking at the annual meeting of the International Monetary Fund, Mr. Suther-land said he was "positive" of getting the necessary ratification under the Uruguay Round of trade talks that would bring the new world trade group into existence.

"In just the past few days, the situation has improved markedly," Mr. Sutherland

He said 27 governments had signed and ratified the WTO agreement and that about 50 other countries "confidently expect to complete their domestic proce-dures" by the time of the Implementation Conference in the first half of December.

without the accord. He said developing coun-Mr. Sutherland said that tries should "secure an even

Compiled by Our Staff From Dispatches

ation complained Monday about an agreement

reached by Brussels and Tokyo on increasing the

quota for Japanese car imports into the Europe-

But the European carmakers' association said

"Several important markets have hardly pro-

the improvement in sales was not likely to last.

gressed, and others have been buoyed by tempo-

rary incentives," the association said, referring to

premiums paid in France and Spain to people

The European Union has agreed to open its

ing trend in the European car market.

BRUSSELS — A European carmakers' associ-

according to a GATT study that will be released soon, the with the secretariat's most Uruguay Round accord conservative estimates show should increase global ining a 14 percent increase. come by more than \$500 bil-Mr. Sutherland said no set

lion by 2005. Previously, formula had yet been established for the number of sulting economies of scale countries needed to ratify the Uruguay Round but noted and improved competition would lift income by about that all the major trading countries, principally the But he said that "even these United States, Japan and the European Union, needed to estimates are too low, as they miss other lasting effects relatratify the accord.

He said "concern has always focused on the EU and U.S.," but that at the moment all the signals have been

positive. On China's application to join GATT, Mr. Sutherland said that as a key player in the world economy it was "ex-tremely important in principle that they be part of the WTO."

He also said that trade talks between China and the United States and European Union have been "conducted in a constructive atmosphere." (Bloomberg, AFX)

while setting quotas for each year until then.

■ Chrysler Writes Off Europe Competition

Chrysler Corp. said it planned to gradually increase its exports but acknowledged its prices

percent and taxes of up to 19 percent.

this year to 300,000 by 2000.

Buys Stake In Giant

Sainsbury

LONDON - J. Sainsbury PLC said Monday it would buy 50 percent of the voting stock in Giant Food Inc. for \$325 million, laying groundwork for the possible expansion of its U.S. operations.

The purchase would give Britain's largest food retailer 16 percent of Giant's equity and allow it to elect three of the seven directors of the company. Israel Cohen, Giant's chief executive, who is 82, will retain control of Giant.

Giant, based in Landover, Maryland, operates 159 super-markets in the District of Columbia, Maryland and Virginia. The company made a profit be-fore tax last year of \$151.8 million on sales of \$3.57 billion.

The stake in Giant strengthens Sainsbury's U.S. presence. complementing its 87-store Shaw's Supermarkets Inc. chain

in New England. While Sainsbury does not have any immediate plans to increase its stake, David Sainsbury, the company's chairman,

Cohen's 50 percent stake. "This is very much a first step, but if Mr. Cohen's stake comes on the market, or if he decides to sell his stake, we will look into the opportunities,' Mr. Sainsbury said.

would not rule out buying Mr.

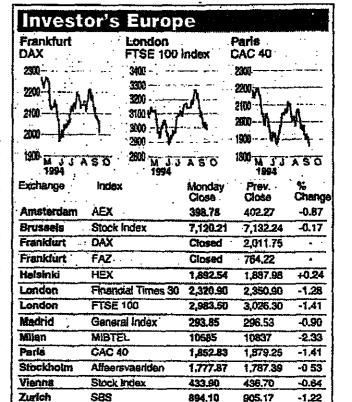
"This looks like the first step in a phased takeover of the company," Gary Vineburg, an analyst for Merrill Lynch, said.

an Union this year.

"While the figure in absolute terms is not significant, the decision has a considerable political importance," the European Automobile Manufacturers Association said.

Officials from Japan and the EU agreed Friderical imports by 9,000 of Chrysler, said. Mr. Cohen, whose father founded the company with Sam-Chrysler is selling European models for about 60 percent more than their U.S. counterparts uel Lehrman in 1935, owns 50 percent of the company's voting stock and has the right to elect because of transportation costs, alterations to four directors to Giant's board. suit European standards, tariffs of up to 10 Sainsbury will buy its shares

from the Lehrman family. Chrysler plans to increase its global exports. including passenger cars, from 160,000 vehicles The company said it would finance the investment in Giant But in Europe, the automaker says it will con-Food from cash and bank borcentrate on selling vehicles such as minivans and rowings. Sainsbury shares car market to foreign competition from 1999. Jeeps while trying to contain manufacturing costs. closed 3 pence higher at 403.



Very briefly:

• Banesto, the Spanish holding company that nearly collapsed in December, had an 18 percent drop in its share price as a 2-for-1

• Russia's largest automobile factory, the AvtoVAZ plant at Togliatti, ground to a halt as management sent 100,000 employees home with partial pay. Assembly-line workers have been striking, and management said the plant would be closed through Saturday and possibly longer.

• Royal Caribbean Cruise Line of Norway signed a letter of intent to order two 1,000-cabin cruise ships from GEC Alsthom.

• Denmark's industrial production surged 9.8 percent, to 93.67 billion kroner (\$15 billion) in the second quarter of 1994 after strong growth in the food and drinks industry.

 Casino du Liban, a Lebanese gambling and entertainment center. said 74 international companies had applied for a \$50 million contract to restore and operate it.

· Airbus Industrie said it expected aircraft demand over the next two decades to total 13,400 units and said it hoped to take 40

percent of a world market valued at \$1 trillion. · Alcatel Alsthom SA said it won a \$202 million contract to supply and lay a marine fiber optic cable linking Taiwan, the Philippines, Singapore and Malaysia.

Zimbabwe's unemployment rate jumped from 37.2 percent to 44 percent between 1990 and 1993.

• Sweden's central bank said it was raising its discount rate by 1.5 points, to 7 percent. The rate, which plays a minor role, is fixed every three months.

MARKETS: Stocks and Bonds Slump Across Europe SOUND: MiniDisc Battles Digital Compact Cassette for Top Market Spot

trading in old cars for new.

Continued from Page 11

banking giant Banesto SA after a rights offering to investors. Both indexes have lost almost all their gains during the summer and are near their lows for gust.

lyst at InterEuropa in Milan.

(Reuters, Bloomberg)

The CAC-40 Index was down holds a major stake in Roche the gains it was able to chalk up

"Worries that the U.S. and shares plunged 11.07 points, to interest rates are taking over level of the year amid declines again," said Luca Comi, an ana- in Union Bank of Switzerland and Roche Holdings AG.

In France, insurance stocks Traders said concern about a led the market lower amid re-ports that the government UBS last week, a major holding might sell its controlling stake of Martin Ebner, the Swiss fi-

26.42 points, at 1,852.83, mean- Holdings for his investment cliing that the index has now lost ents and investors are concerned those shares might fall during a rally in July and Au- also, traders said.

Shares also fell in Austria, Belgium, Denmark, Ireland, the Netherlands, Norway and Swe-

of 7.86 percent by the end of

might sell its controlling stake of Martin Ebner, the Swiss fi-in troubled Groupement des Assurances National. The yield on the 10-year gilt nancier, had spread to its com-mon shares. Mr. Ebner also percent on Friday.

Sis Div Yild PE 100s High (Low Lorest Chige

Continued from Page 11

tial buyers by providing a chance to operate the new machines themselves. It has dispatched squadrons of sales people to busy street corners to lure people into demonstration maining 15 percent. The cheap-est playback-only portable spaces and put coupons for decks retail for just under \$400.

the format and its advantages — people get clogged up with that," said David Walstra, man-ager of Sony's MiniDisc pro-motion department. "But you can find out by playing with it."

on portable units, which com- been. prise about 60 percent of sales in Japan. Home decks make up 25 percent of sales, cars the re-

The company has also har- Matsushita Electric Industrial Government bond yields followed the yield on the 30-year
Treasury, which rose to a high
"It's so difficult to explain
Treasury, which rose to a high
"It's so difficult to explain
Treasury, which rose to a high the form of the form o released more than 1,500 titles.

Executives in charge of Digital Compact Cassette, in contrast, are revamping a strategy that assumed the format would

Sony has also put emphasis be far more popular than it has

"At first we had the wrong idea to expand into all product categories and cover all geo-graphic territories," said Tadashi Abe, general manager of Digital Compact Cassette planning at

Matsushita, the world's biggest consumer electronics coming prerecorded software on pany and known for its Pana-MiniDisc. So far 73 labels have sonic brand, and Philips, which pioneered the format, are the

ing characteristics of the world's as stand-alone decks.

12 Month High Low Stock

major markets, the company is taking a more calibrated approach. Maisushita's president, Yoichi Morishita, insists the company would not drop Digital Compact Cassette, but insiders say the budget for Digital Compact Cassette is being cut.

In Japan, Matsushita will out little effort into selling portable units, focusing instead on midpriced boom boxes, which are popular with young people living in small spaces. In Europe, where there is a greater interest main supporters of Digital where there is a greater interest in hi-fi audio, the emphasis will be on Digital Compact Cassette

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Nippon Mortgage «Collapses Under **Mountain of Debt**

Compiled by Our Staff From Dispatches TOKYO - A medium-sized Japanese financial institution. Nippon Mortgage Co., filed Monday for liquidation in the third biggest business failure in Japanese postwar history, Teikoku Databank Ltd. said.

The private credit research agency said an extraordinary shareholders' meeting of Nip-pon Mortgage, which had debts of 518.4 billion yen (\$5 billion). had approved the filing with the Tokyo District Court.

The credit agency blamed the failure on Nippon Mortgage's huge nonperforming loans resulting from aggressive lending during the speculative "bubble economy" in the late 1980s. The company's foray into developing golf courses also failed.

In July, the company's main bank, Sumitomo Trust & Banking Co., said Nippon Mortgage intended to go into liquidation with debts of around 473 billion yen. A Sumitomo Trust spokesman said the move would not affect Sumitomo Trust's profit outlook but declined to say how much the bank had lent to Nippon Mortgage.

Analysts said signs that Japan's economy was recovering and stock prices firming had encouraged Japanese banks to months that ended that day. scrutinize the health of debt-

laden nonbanks to decide whether to continue support for their restructuring.

"Banks' write-off efforts are shifting from their own actual bad loans to those of subsidiaries and related nonbanks, and they will increasingly write off bad loans, even if the borrower does not liquidate," said Katsuhito Sasajima, a banking analyst at Nikko Research Center.

Some analysis said there were fears that Nippon Mortgage's debt might have been even larger.

Nonbanks include consumer credit, corporate finance, leasing and housing loan concerns. They rely mostly on bank loans to finance their lending because they do not accept deposits.

Some nonbanks, such as Nippon Mortgage, are not closely affiliated to commercial banks. Others, more tightly tied to their main banks, are more likely to get continued financial support for restructuring, financial sources said.

On Friday, for example, Mit-subishi Bank Ltd. said it had provided about 108 billion yen in additional financial support to its nonbank affiliates Diamond Mortgage Co. and Diamond Factors Ltd. in the six

Jakarta Plans Imports To Ease Cement Crisis

IAKARTA — Indonesia will import more cement to ease an acute shortage that has led to soaring domestic prices, a gov-ernment minister said Monday.

"We will look to import cement from anywhere, from China, Thailand or North Korea. We ask people to be patient because we are taking the right direction," Industry Minister Tungky Ariwibowo said.

Mr. Ariwibowo said the shortage was due to a heavy load of construction projects across the Indonesian archipelago.

He added that cement consumption had risen by 20 percent in the first eight months of the year.

"We predicted only 12 percent growth. You can imagine the shortages," Mr. Ariwibowo

He said imports of cement and clinker - hard brick used to make cement -- would reach 1.4 million metric tons this year.

"We had predicted imports

revised to 1.4 million tons because of the shortage," he said. Cement prices have raced past government-recommended lev-

els in the past month because of rising demand. Officials and analysts said the price rise could also be due to speculation. The military has warned it

would take firm action against anyone found manipulating cement prices, which have soared in recent weeks, the Republika daily newspaper reported.

A spokesman said investigations into the price rise were under way.

Industry officials said cement was being sold in major Indonesian provincial cities for around 7,000 rupiah (\$3) for 30 kilograms (66 pounds) and for around 10,000 rupiah in Jakarta.

Demand is forecast to outstrip supply by 535,000 tons in 1995 and by 1.3 million tons in 1996, a cement company execu-

Contractors, producers, retailers and government officials are planning to meet this month to discuss measures to keep of 1 million tons, but it was prices down.

Crime Explodes in China

bounds. The money stolen may be a couple of hundred

dollars or tens of millions.

The perpetrators range from

the lowliest clerks to senior

officials in banks and regula-

In July, Wang Lin, the senior regulator of Shenz-

hen's securities market, was

arrested by Hong Kong po-

growth industries

has been economic

lice as he tried to cross a bor-

der post with a forged one-

way travel permit, sources in

Chinese authorities say Mr.

Wang had accepted about

\$11,000 worth of bribes in the

forms of a credit card, a

health club membership and

an air conditioner in 1992

and 1993. Fearful of being

caught, he was trying to flee

• Also in July, three people

were executed for stealing

400 tax invoices from the Hu-

lan county tax bureau in the

city of Harbin. The men had

stolen the invoices so that

Because China is what the

World Bank calls an "econo-

my in transition," its laws and

regulations are in a constant

state of flux, to the extent

Take the case of Sun Ming,

who took advantage of the

application of different rules

In a case in federal court in

people could forge docu-

ments and evade taxes.

they exist at all.

to different people.

in China's boom

Consider these recent

tory agencies.

One of the

misdeeds.

Hong Kong say.

the country.

By Steven Mufson BELJINĞ - Named a "na-

tional model financial worker" in 1990, Huang Yilian, 56, is now an example of a different type.

Mr. Huang, president of the
Industrial and Commercial

Bank branch in the Fujian provincial city of Shishi, has been arrested along with seven colleagues on charges of stealing almost \$59,000, nearly half of which Mr. Huang allegedly took himself.

Mr. Huang's case is not an isolated one. One of the growth industries in China's booming economy has been economic crime, and this summer the official press has been filled with stories of crime and punishment - of-

ten a death sentence. The pace of executions picked up in advance of Saturday's 45th anniversary of the Communist takeover, traditionally a time for purging

"bad elements." In one week last month, 90 people were killed in four mass executions, including a group of 45 in Wuhan. Last year, according to Amnesty International, China executed 2,500 people, most often with a bullet to the back of the head.

The severity of the sentences has done little to deter those seeking shortcuts to wealth. There were 20,000 cases of embezzlement and corruption in the first six months of 1994, an 81 percent increase from a year earlier, according to a government official.

At last week's Communist Party Central Committee plenum, top officials called for new vigor in the party's anticorruption campaign. But the party and govern-

ment face an uphill battle. To some extent, the wave of corruption is a function of raw capitalism after a period of strict regulation.

Chinese citizens once enjoyed, or suffered, a sort of equality of poverty. Corruption often involved the rationing of cheap or scarce goods. But there is plenty of California, the Bank of China money to be made in China alleges that Mr. Sun, a lowalleges that Mr. Sun, a lowthese days, and as long as level manager who never typical urban salaries lanearned more than \$1,000 a guish around \$100 a month, year, conspired with three there is plenty of incentive for other bank officials to defraud the Bank of China of \$157 million. Temptation knows no

The group allegedly took advantage of a dual exchange-rate policy that no longer exists.

Certain Chinese companies importing goods or equipment were given a more favorable exchange rate. Mr. Sun and his friends are accused of forging documents so that they could change money to Chinese currency at one rate and then convert it back to dollars at the special favorable rate. pocketing profits that ran to at least \$44 million and stashing it in bank accounts in Switzerland, Australia and California.

Many Chinese officials and executives apparently ap-prove of the tough sentences.

For example, Liu Jianvi, 39, was executed by firing squad on July 28 in the southern town of Shenzhen. In 1987, Mr. Liu had gone to work for Shenzhen Eastern Development Co., which was losing money and desperate for help. Mr. Liu said he could use his connections to help the company become an intermediary in the sale of corn and pharmaceuticals.

But when three companies paid Mr. Liu about \$165,000 for those products, he and another employee took the bulk of the money. When delivery was not made, the three companies contacted Shenzhen Eastern Development, and the plot was uncovered.

Mr. Liu and two others vere arrested but escaped by bribing guards. They intended to flee across the river to Hong Kong, but Mr. Liu literally missed the boat and was recaptured.

Asked how he felt about Mr. Liu's execution, the director of Shenzhen Eastern Development said he was "Happy. Yes. very happy."

China Aims To Triple Oil Imports In 6 Years

Compiled by Our Staff From Dispatche BELJING - China will need to triple its oil imports to 50 million metric tons a year by the end of this century to fuel its economic growth, the official China Daily reported Monday. China imported 16 million

tons of crude last year. By the year 2010, the world's most populous country will need to import 100 million tons of crude a year unless it finds massive new oil reserves, a government official told the news-

The estimates are based on 8.5 percent annual economic growth from 1996 until 2000 and 7.5 percent expansion each year from 2001 to 2010.

China's economy, which grew 13.4 percent last year, is set for a double-digit rise again

"For a considerable time, State Council's development research center as saying.

The news will be welcomed by regional oil markets, which have been reeling since Beijing banned imports of a range of oil products and centralized oil purchasing in May.

Mr. Li told the paper the slowdown in oil purchasing could only be a temporary braking."

So far China has shown no sign of easing its grip on oil • Motorola Inc.'s Cellular Subscriber Group has been awarded a imports. Oil traders in Singa- contract by Vietnam Mobile Services to supply portable cellular pore said last week that even China's three leading national oil companies — Sinochem. Unipec and China Oil - were unable to get import permits for refined oil products such as gasoline, naptha and gasoil.

China imports and exports crude to balance its needs for different grades of oil.

Investor's Asia Hong Kong Singapore Hang Seng Straits Times Nikkei 225 22300 Exchange Prev. Close Monday Change Hong Kong Hang Seng 9,492.49 9,521,24 -0.30 Singapore Stratts Times 2,348.52 2,332.63 +0 68 Sydney All Ordinaries 2,030,90 2,028.70 +0.11 Tokyo Nikkei 225 19,650.03 19,563.81 +0.44 Kuala Lumpur Composite 1,127.35 1,129.76 -0.2 Bangkok SET 1.488.55 1,485.71 +0.19 Composite Stock Closed 1.050.51 Taipei Weighted Price 7.183.75 7,191.13 -0.10 Manila PSE 2.915.90 2,908.24 +0.26 Jakarta Stock Index 497.90 497.97 -0 01

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Very briefly:

NZSE-40

National Index

New Zealand

Bombay

Ayer Molek Rubber Co., a plantation company, is to be transformed into the financial services arm of Insas Bhd., which bought China's oil output has been un- a 30 percent stake in Ayer Molek after the plantation company able to provide sufficiently for sought to take over Bank Bumiputra Malaysia Blad., according to the nation's economic growth," local newspaper reports.

2,077.23

the daily quoted Li Boxi of the . Japan's domestic sales of motor vehicles in September rose 6.4 percent from September 1993, to 471,582 units.

ABN-AMRO Bank bought the Thai assets of Bank of America (Asia) for an undisclosed sum and received approval for a full operation in Thailand.

- Japanese textile associations have asked the Ministry of International Trade and Industry to curb a flood of cheap textile imports battering the domestic industry, association officials said.

Hougkong & Shanghai Banking Corp. plans to shift some of its clerical work to China starting at the end of next year.

• STAR TV said it had a bigger share of the Taiwan market than Television Broadcasts Ltd., contradicting claims made by the Taiwan broadcaster last week.

telephones to Vietnam. · Nippon Flour Mills Co. will buy a 10 percent stake in United Flour Mill Co. of Thailand and might buy another 10 percent:

terms were not disclosed. • Hang Seng Bank Ltd. was the most profitable bank in the world last year, according to a survey of 300 banks by the international credit rating agency IBCA.

 Minolta Corp. has established a strategic partnership with AM International Inc.'s AM Multigraphies division in which AM Multigraphics will distribute the Minolta CF-80 digital color (Bloomberg, Reuters) copier, printer and scanner. Reiners, AFP, Bloomherg, 4F \

Wharf Says Chinese Rules Threaten Port Project in Wuhan

investment rules could temper its plans zine. Wu- So far, Mr. Li said, Wharf has investto turn the central Chinese city of han into a national transport hub.

tion, cable and lodging industries. Chairman Gonzaga Li expressed frustration that after two years, the project to build a container port in China's fourth

largest city and to upgrade its rail link to Hong Kong had not been approved. rules may not allow Wharf the control-

HONG KONG - The chairman of need to tailor our plans accordingly," he stick its neck out, "said Donald Keyser, middle reaches of the Yangtze River and Wharf (Holdings) Ltd. said new Chinese was quoted as saying by Horizon maga- assistant director of research at Baring halfway along the Beijing-Guangzhou

ed little hard cash in infrastructure pro-Wharf is a Hong Kong real estate jects, saying it was waiting for planning company also active in the transportaapproval.
China's planning commission has been at the center of controversy over

new limits on foreign stakes and returns from infrastructure projects. In 1992, Wharf said it wanted to turn Wuhan into "the Chicago of China" by He said new Chinese government pumping as much as \$1 billion into

transport-related projects. It also said ling stake it wants in the project and may limit rates of returns to unaccepta-"The Chinese wanted something big he said."

"If that proves to be correct, we may and dramatic, but Wharf is not going to Securities. He said Wharf only planned to railway. nump capital into the port project in stages when capacity goals are mel

Wharf is already pulling back from Wuhan. Mr. Li said that in April Wharf pulled out of negotiations to build a light rail system in the city because of poor terms. But he said this had no connection with the transport hub plans

and that Wharf was still "very enthusiastic" about the city. "Wuhan is a kev hub in China's national transport infrastructure, and as China grows, Wuhan will grow with it."

■ Hutchison Plans Bond Issue

Wuhan is at China's crossroads, in the

Hutchison Whampoa Ltd. said it

planned to issue \$250 million of 7 percent mandatorily exchangeable guaranteed bonds, with an additional \$50 million possible depending on demand, Reuters reported.

Hutchison Delta Port Ltd. An initial public offering of the shares is expected dia Ltd., Shipping Corp. of Into take place on or before the seventh dia and Mahanagar Telephone anniversary of the bonds' issue.

India Invites Bids In Privatization

NEW DELHI - The government invited bids Monday for stock worth a total of about \$110 million in seven state-controlled companies.

The government is selling between 5 percent and 20 percent of the companies' shares

The concerns in which the state is selling stakes are Con-The bonds are exchangeable into Oil Corp., National Fertilizers shares of wholly owned subsidiary Ltd., Oil and Natural Gas Cornmission, Steel Authority of In-Nigam Ltd.

New York Debut for a China Power Firm

By Laurence Zuckerman New York Times Service

NEW YORK --- China wants to finance the expansion of its cash-starved electric power industry by selling part of the business directly to foreign investors.

But whether that strategy succeeds may depend a lot on what happens this week when American depositary receipts for shares in Huaneng Power International Inc. begin trading on the New York Stock Exchange. Huaneng Power is only the

second Chinese utility to be listed overseas - and its biggest obstacle is its predecessor, which has a similar name, Shandong Huaneng Power Development Co.

Since it began trading in Aust, Shandong Huaneng has fallen more than 15 percent from the \$14.25 offering price for each of its ADRs. Much of the decline has occurred in recent weeks as executives from Huaneng Power and Lehman Brothers, the new issue's chief underwriter, have been crisscrossing the United States courting investors.

Analysts and fund managers say that either Huaneng Power hand, is a subsidiary of a Chiis so much better than Shandong Huaneng that investors formed in 1985 to construct and are bailing out of the earlier issue to sign up for the new one, or investors in Shandong Huaneng see a second disaster looming and are cutting their losses.

Comparing the two companies, one is tempted to conclude that the first theory is true. Lehman 31,250,000 ADRs, one of the at Jardine Fleming Asia Relargest Chinese stock issues search in Hong Kong. ever. Half the receipts are ear-

respond to questions about the issue, but fund managers say

the expected offering price ranges from \$22.50 to \$27.50

for each ADR, for a total of \$703 million to \$859 million. Huaneng Power owns and operates five coal-fired power stations in one of the fastestgrowing markets for electric power. The company already has plans to develop or acquire

eight additional plants.

The company owns and manages plants in five Chinese provinces, whereas Shandong Huaneng effectively is a holding company for assets owned by the Provincial Power Au-thority in Shandong Province in northeast China.

The biggest criticism of Shandong Huaneng was that it was created from state assets for the purpose of being listed in New York.

The offering's prospectus, prepared by lead manager CS First Boston, contained only one year of pro forma financial records, or estimates of how the company would have fared had it been in existence.

Huaneng Power, on the other nese state company that was operate power stations at a profit using imported powergenerating equipment. Its preliminary prospectus supplies three years of actual financial statistics.

"This is a real prospectus," said Sheldon Kasowitz, regionis offering al utilities analyst and a director Mr. Kasowitz and others also

marked for sale in the United States and Canada.

Lehman Brothers declined to praise Huaneng Power's management. Li Xiaopeng, the 35-year, for example, the government devalued its currency, the son of Prime Minister Li Peng. yuan, by 33 percent overnight. Such connections are highly prized in China, although they can become a liability if the political winds shift.

But like Shandong Huaneng Huaneng Power has at least two serious drawbacks: currency risk and an uncertain regulatory environment.

Because the company is sellings are in local currency. Lehman is trying to hedge the currency risk by factoring a 7 percent devaluation into the 5 ing electricity to provincial power authorities, all its earnrency risk by factoring a 7
percent devaluation into the fiMEESPIERSON N.V. nancial projections it has made KAS-ASSOCIATIE N.V. for the company. But with inflation in China

still raging and a murky eco-

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AMSTERDAM DEPOSITARY COMPANY N.V. nomic and political picture Amsterdam, September 29, 1994. ahead, 7 percent could end up

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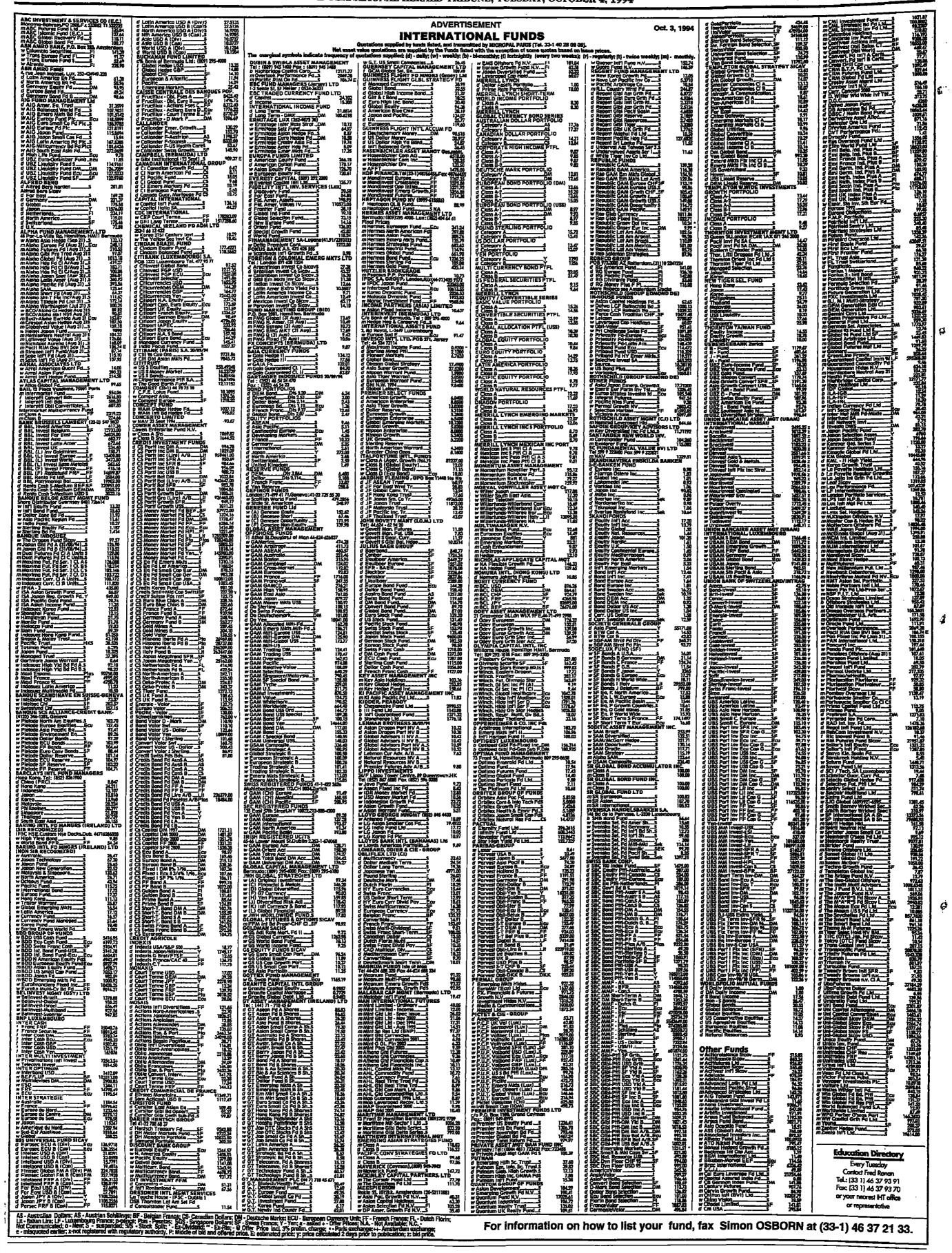
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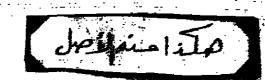
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Global Banking and Finance

Will Japan's Banks Play Bit Part on Global Stage?

By Steven Brull

OKYO --- The worst may be over for Japanese banks. The unliions of yen in bad debt created by the collapse of the economic bubble of the late 1980s are slowly but steadily being cleaned up.

But over the long term, even after operating profits begin to recover in two to three years, there is little reason to expect Japanese banks — the world's richest — to come roaring back.

For one thing, while banks are making provisions to write down their bad debts to market levels, much less is actually being written off. The reckoning is being dragged out in a process that could easily stretch into the next century, but in the meantime banks will tie up capital that

could be used more productively.

More important, though, Japanese banks are only slowly emerging from the cocoon of government regulation. A herd mentality; an over-emphasis on loan growth over asset quality, and barners to new markets will make Japanese banks less profitable, less diversified and less formidable than their Western rivals in

the future, analysts say
"The Ministry of Finance has spoiled its children, but now it doesn't want to see them grow up." said Alicia Ogawa, an analyst at Salomon Brothers. "Japanese banks will look pretty sad by international standards."

The go-slow approach is being dictated by the Ministry of Finance, whose overriding aim is to provide stability to the financial system. That may be a worthy goal, one that will lessen the pain experienced in the late 1980s and early 1990s when bankers in the United States and Europe securitized or foreclosed bad loans to less-developed countries and property developers.

But it will come at a cost of reduced profits for Japanese banks. That will make them stingier lenders when the Japanese economy picks up and loan demand increases. Japanese economic growth could

in many ways, the banks are victims of history. Until less than a decade ago, they operated in a highly regulated. low-interest-rate environment with a clear function: culling excess savings and channeling them to big companies. They also served as stable shareholders, allowing companies to skate by with minimal divi-

With stock and property prices on a seemingly endless incline, corporate dis-closure opaque by Western standards, and interest rates regulated at artificially low levels, conformist, non-creative management reigned.

Bank managers competed to boost fund volume, and paid little attention to riskassessment. The strategy culminated in the late 1980s with a reckless stampede of lending backed largely by real estate and stocks, which plummeted in value when the bubble economy collapsed in the early

The result was a mountain of bad debt which the government estimates at nearly 14 trillion yen (\$143 billion at current exchange rates). Private-sector analysis put the figure several times higher.

Betsy Daniels, an analyst at Morgan Stanley, reckons that Japan's 21 largest city, trust and long-term credit banks are saddled with about 40 trillion yen in baddebt. Of this, about 20 trillion will eventually have to be written off. So far only about one-third has been: it will take another two to three years to dispose of the remaining sum.

To come up with the money. Japanese banks are selling real-estate holdings in the United States and taking profits on some of their domestic equity holdings. They are also withdrawing from loan markets in Europe. shifting instead to capital markets. But most of the money will be drawn from operating profits.

"They've owned up to their balance sheets and are working out the problem." Ms. Daniels said. "But all of their operat-ing profit over the next couple of years will be used to cover writedowns and provisions for non-performing assets."

Still, much of the problem is only being swept under the rug, not disposed of. While banks are accumulating reserves to cover expected losses, losses will only be booked gradually in a process that could take a decade. A faster approach could adversely affect the property market.

In the meantime, capital will be tied up. Continued on Page 18



Prosperity Tastes Bland To European Lenders

By Erik Ipsen

ONDON - Low inflation and moderate economic growth, the stuff of every self-respecting European finance minister's dreams, is proving to be at best a mixed blessing for Europe's bankers.

Yes, the return to economic expansion has boosted bank earnings by allowing bankers to slash the amount of money they put aside for dodgy debts. But at the same time this new and particularly bland brand of prosperity has both delayed and diluted bankers crucial expectations of a return to rising loan demand.

"If it were not for falling bad debts these banks would be going backwards in terms of profits," said John Tyce, an analyst at Societé Génerale Strauss Turnbull in London. "If you believe in low inflation you can hardly believe in a return to rapid loan growth '

Many observers suggest that may not be oad at all. They point out that loans piled willy fully onto bank's books in the heady days of scaring growth as well as of asset prices have always soured at alarming rates come the mevitable recession. More moderately paced growth, goes the argument, allows bankers to pay more atten-

At the moment, bankers from Bristol to Barcelona would be grateful for any growth in lending volumes at all. On the Continent, where the economic recovery is yet young, any revival in loan demand is

widely reckoned to be at least a year away. Some wonder if it will ever come. "I suspect there might be a break in the post-war pattern," said Derrick Chambers. banking analyst at James Capei. "Low inflation may mean bank credit is just not nceded as much."

In Britain, corporate liquidity now stands at record levels as the recovery boosts profits. What is more, with mone-tary authorities keeping a tight lid on the economy there is little need for companies to undertake massive new investments to gear up. Similarly in France corporate free cash flow now stands at nearly 115

percent of spending.

In Europe, what little in the way of new business that has emerged this year has been pounced upon by the banks, with profit-crushing results. Demand for mortgages and for finance for local government bodies have been the only two bright spots this year.

To the delight of borrowers, the stampede of willing lenders in their direction has caused spreads on loans to local au-

Continued on Page 18

In the '90s, Mergers Help Firms Get Back to Basics

By Lawrence Malkin

EW YORK — Merger mania has returned to Wall Street in a much saner form than the deals driven by debt and ego that left American business gasping for profits after the gilded 1980s.

This wave is based on cutting overhead and reorganizing production and management to meet global competition, the foundation of successful American business strategy since the banker J.P. Morgan masterminded the first reorganization of

corporate America a century ago. In Morgan's day it was such basic industries as steel and aluminam that his bank rationalized and put together. Now trittes Data Co. The number of deals was

the industries ripe for consolidation are health care, where companies paying the costs for their workers demand that costs be cut with or without the participation of the U.S. government defense, where the end of the Cold War has downsized the Pentagon and its suppliers, financial services, because Congress has just passed a law permitting interstate banking and inc information superhighway businesses, which are trying to discover where the road is going even as they struggle to assemble the right corporate vehicle to

By midvear the value of domestic mergers announced publicly stood at \$1316 billion, up sharply from \$105.5 billion at the same point in 1993, according to Secu-

build it.

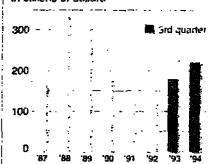
3,843, compared with 3,179 a year ago Martin Sikora, editor of Mergers & Acquisitions Magazine who teaches the subject at the University of Pennsylvania's Wharton School of Business, said the numbers are certain to escalate, because mergers usually are more numerous in the second half of the year

Not all mergers are going through un-tess the price is right. Lawrence A. Tisch walked away from a deal to merge CBS Inc. one of America's prenner television networks, with QVC Inc., an upstart home shopping network, when one of QVC's owners demanded a better deal

Some of the same players of the 1980s are in the front lines, but their financial

Continued on Page 19

M&A Deals in the U.S. In bilhons of deliars



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Are Derivatives a Blessing or a Burden? Regulators Want to Know More

EPENDING on whom you speak to, derivatives are either the latest saviors or the threatening destroyers of the financial world. Though they have ballooned to a sizable chunk of the financial marketplace, few people understand them.

By Baie Netzer

Those who sing their praises include executives at large commercial banks and securities firms where instruments such as futures and options can account for more than a third of trading income. Legislators and regulators, however, aren't so sure of the blessings. To the dismay of many derivative dealers, industry watchdogs are demanding more oversight of the market.

Just last week, central bankers asked publicly traded companies to voluntarily disclose more about their exposure to financial risks, including those to derivatives. The request from the Bank for International Settlements, was aimed at creating a single, accepted code of conduct for international companies, which are grappling with incompatible national accounting standards and differing requests from regulators and industry groups.

In July, Edward J. Markey, a Democrat-

ic member of the U.S. House of Representatives, proposed legislation that would increase the power of the Securities and Exchange Commission to set capital and other requirements for derivative operations at insurance and securities firms, Mr. assets'. You certainly won't learn anything Markey declared derivatives part of a "new about the company's credit risk. And world of cyberfinance," brought about by

recent developments in technology.

In addition, the House Banking Committee chairman, Henry B. Gonzalez, has co-sponsored a bill with Representative James A. Leach. The proposal addresses capital, accounting, disclosure and suitability issues for banks that trade in derivatives. Capitol Hill observers say both the Markey and the Gonzalez-Leach bills will die without action this year but they are almost sure to be reintroduced before a newly elected Congress in January.

To appease legislators, industry groups have begun issuing their own proposals. Guidelines for managing the risks of derivatives were issued in July by the Basel Committee on Banking Supervision and the Technical Committee of the International Organization of Securities Commissions. The Fair Accounting Standards Board hopes a draft expanding existing disclosure requirements for American banks will be effective by the end of the year. And in an attempt to set world-wide standards, the Institute of International Finance issued detailed disclosure recommendations last August.

"Accounting standards simply haven't kept up with the growth in derivatives," says Chris Matten, a co-chair of the Institute of International Finance's working group. "A company's derivative activity can disappear under a heading for 'other

since banks in different countries report differently, there's no way of comparing them.

Among the most controversial issues being debated about derivatives is the question of "suitability." Some legislators argue that, just like mutual fund companies that sell shares to individual investors, derivative dealers must ensure that their customers understand the products they purchase and they must be warned about potential risks. Banks and securities firms argue that guaranteeing a deriva-tive's "suitability" for a corporate customer ignores the role of treasurers. Of course a company will be happy as long as derivatives profit, the argument goes. But if a move in the market causes sudden losses, a company might turn around and sue the bank that sold it derivatives.

Many argue that new laws simply aren't necessary. "I'm concerned that derivatives have been singled out for legislation when most of the risks they carry are the same as any other financial product," says Gay Evans, a managing director of Bankers Trust International in London.

While some firms make money simply by selling or trading derivatives, banks and other corporations may also use derivatives to hedge against the price movements of commodities, securities, currencies or interest rates. Yet while experts agree that derivatives can help a corporation manage business risks, a number of high-profile fiascos have fueled concern among government officials.

The American, consumer-products giant Procter & Gamble Co. earlier this year lost \$157 million on interest-rate swaps. Last December, German mining and engineering conglomerate Metallgesellschaft AG announced \$860 million in losses due to oil-futures trading at its New York subsidiary. In February, the hedge fund manager George Soros lost \$600 million in

A number of those who trade derivatives professionally admit that recent headlines do cause misgivings. "I'm not so concerned when Soros loses a small amount of money because I know the larger gains he's made over the long term," says Peter Huri, managing director at Kenmar International, a money manager specializing in futures. "But if a corporation like Procter & Gamble can lose so much money without top management knowing about it, then I'd say that's a problem.

In general, regulators have two main concerns. First, because derivatives are often considered "off-balance sheet" transactions, it is difficult for shareholders, financial analysts and regulators to know the risk a company has assumed in the derivatives market.

A second and more global issue involves the booming market for privately negotiated over-the-counter derivatives

cause the true size of the over-the-counter market is difficult to estimate, the consequences of a major player's bankruptcy or a sudden loss of liquidity are also hard to foresee. Could derivatives cause a financial meltdown?

Under pressure from investors and regulators, American banks began increasing their derivative disclosure two years ago. But while experts say U.S. companies still have a ways to go, they believe European and Japanese banks present the larger problem. These banks often reveal only the so-called "notional amount" of their derivative portfolio.

Because they are the only measures widely available, notional values are used to calculate the oft-touted derivative market estimates ranging from \$10 to 20 trillion. But because they reveal little about the actual amount of money a company risks losing on its derivatives, experts say the huge notional numbers printed in financial statements have helped to fuel the fear that derivatives might lead to a finan-

cial catastrophe.
"Notional numbers are an indication of activity but they have nothing to do with the amount of capital that is at risk," says Ms. Evans. "The current exposure of a derivative is its replacement cost and that's usually closer to 2 percent of the notional amount."

In a derivative known as an interestrate swap, for instance, Bank A might

that are not tracked by exchanges. Be- agree to pay Bank B a fixed rate of 10 percent on a notional amount of \$1 mil-\$ lion. In exchange, Bank A receives a variable rate of interest on the same amount. If interest rates have risen to 12 percent at the end of the contract, Bank A will still owe Bank B 10 percent but this obligation is offset by the 12 percent that Bank A is due to receive. In the end, only the difference between the two rates, or two percent of \$1 million, will change hands. The \$1 million "notional" amount of the contract is used solely to calculate payments.

HE IIF has proposed disclosure of the so-called net replacement value of a derivative or the amount a company might lose if its partner in a derivative contract went bankrupt. But while many in the industry agree that this number will help investors and analysts judge one type of risk, few believe it reveals the greatest risk attached to derivatives.

There have been very few cases of counterparties going bankrupt but there have been cases of large losses due to the market moving suddenly," says James Johnson, partner at the U.S. accounting firm Deloitte & Touche. "So far, there is absolutely no consensus about how banks should measure and disclose the market risk of their derivatives."

BAIE NETZER is a financial journalist

Companies Seeking Capital Head to America's Over-the-Counter Market

By Ann Brocklehurst

N a search for capital that is hard or impossible to come by in their home markets, a growing number of foreign companies are raising funds by listing on the Nasdaq stock market in the United States.

While the sharp rise in foreign compa-nies listed on Nasdaq, a computerized market with no trading floor, has made it better known internationally, executive vice president John Wall attributes the recent growth to equity market conditions rather than Nasdaq's marketing efforts. "It's nothing we have done," he said. "It's truly a question of cost of capital."

So far this year, 37 foreign concerns have listed either their shares or American Depositary Receipts on Nasdaq, compared with a record 71 in 1993 and bringing the total of international securities to 345, the most of any American market. The companies represented range from giants like Toyota Motor Corp. to newcomers like the Chilean brewery Compania Cervecerias Unidas SA.

The majority of foreign companies are also listed on their home markets, but a significant number have only the Nasdaq listing either because their products are best known in the United States or because their domestic markets are illiquid or trade no comparable stock.

The Luxembourg-based Scandinavian Broadcasting System SA, which raised \$62 million with its initial public offering on Nasdaq in March 1993, has almost no American ties other than its Nasdaq listing. It operates and manages television stations in the Scandinavian commercial market through subsidiaries and was brought to market by the European venture capital group Alta Berkeley Associates. The broadcaster considered listing in both London and Scandinavia, but decided that as a growth company barely breaking even and being valued largely on the strength of its future cash flows, it would be better off on Nasdaq, where such stories are fairly common.

"We have never taken a company public in Europe," said Alta Berkeley's Bryan Wood. "If you really do have a hot deal or an interesting deal, you really can get better pricing in the U.S."

Mr. Wood says that while European mutual funds and institutional investors tend to operate on a geographical basis, U.S. funds are more focused on specific industries in which they have expertise.

"When we did take companies public in the U.S., a large percentage of the buyers were sector or small cap funds and the number of these funds in Europe is relatively small.

Many of the foreign companies listing on Nasdaq are in the high technology, biotechnology and telecommunications businesses, areas where American companies such as Microsoft Corp. and MCI Communications Corp. have helped make Nasdaq an important market.

Michael Halloran, a director at Alex. Brown & Sons Ltd.'s London office, says there is a whole infrastructure in the United States for emerging companies that doesn't yet exist in Europe. "In biotechnology, there are more than 200 publicly traded companies, research analysts, institutional money that is smart about the industry, and traders and brokers who make markets and liquidity for these com-panies," he said. "With all of that infrastructure, you achieve liquidity. You don't have that in Europe."

While Nasdaq requires companies to have a minimum of two market makers, most foreign companies have an average of 11. Market makers, such as Alex. Brown, which is based in Baltimore, are allowed to sponsor stocks as well as trade them, issuing research reports and recommendations. And their willingness to commit themselves financially to a stock often plays an important role in its performance.

Despite the current consensus that companies in many different technology sectors can achieve valuations and raise capital in the United States that is impossible to obtain in their home markets, there is also the caveat that foreign companies on Nasdaq trade at a discount to their domestic counterparts. Nasdag's Mr. Wall says this is a charge that various studies have shown to be untrue unless a foreign company is being tight-lipped

"We found information is really a key because U.S. investors, particularly institutional investors, are used to receiving that information and talking to management," he said.

Although foreign companies listing on American exchanges are treated with some leniency by the U.S. Securities and Exchange Commission, they must still bring their financial statements in line with U.S. generally accepted accounting procedures. In many cases, this means publishing the performance details of different operational and geographic divisions for the first time.

Nasdag's Non-U.S. Leaders Nesdaq-listed non-U.S. companies ranked

by market capitalization, in i	a to anoillid	ollarsz
M Ericsson Telephone Co.		
Reuters Holdings PLC	UK	
Methanex Corp.	Ceneda	3.38
MacMillan Bloedel	Canada	1.79
Creative Technology	Singapore	1.58
leve Phermaceutical Indus.	. Israel	1,54
Partner Re Holdings	UK.	
ECI Telecom Ltd.	srae	1,35
Télélonos de Mexico, S.A.	Mexico	1.05
control Charm Inch	Comorto	1.00

Not surprisingly, some 150 Canadian companies, which are familiar with American business practices and the huge market next door, make up the largest contingent of foreign firms on Nasdaq. Further afield but also highly tuned to the U.S. market are some 50 Nasdaq-listed Israeli firms, mostly in the computer and soft-

Included among the British companies listed, which also number approximately

50, are the confectionary and soft drinks manufacturer Cadbury Schweppes PLC and the news and financial information service Reuters Holdings PLC. Mr. Wall noted that Reuters, which trades ADRs representing a bundle of its ordinary shares as do most of the bigger foreign companies, often has a bigger daily trading volume on Nasdaq than in London.

ASDAQ is also home to Petersburg Long Distance Inc., the company billed as "the first Russian equity opportunity when it listed on the market with a secondary stock placement in 1993. With its main offices in London, where it trades over the counter, and Toronto, where it is listed on the local exchange, the company provides international and domestic telecommunications services to St. Petersburg through an associate company. "What we felt was that in the emerging telecom-munications market, a Nasdaq listing is important if you want U.S funds to move into the stock," said the company's president and chairman, Rupert Galliers-Pratt.

ANN BROCKLEHURST is a journalist based in Montreal

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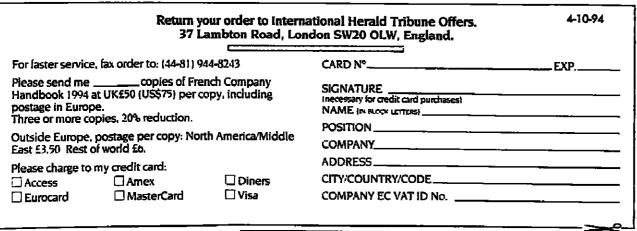
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Weak Prospects for European Banks

thorities to collapse from 90 basis points, or hundredths of a percentage point, to as little as 50 basis points. Margins on mortgage lending showed a similar half a percentage point contraction.

Such performances have raised fears once again that Europe's overcrowded banking markets are in for a bruising ride. "We will be stuck with too many banks in Europe for some time," said Ian McEwen. an analyst with Merrill Lynch. Compounding that problem, some analysts are now forecasting a steep rise in bank capital beginning in Britain where the economic rebound is furthest along.

With too many banks and too much capital sloshing around in the system, analysts are worried that something must give. Rod Barrett, a banking analyst at Goldman Sachs talks of a "golden scenario" in Britain whereby moderate loan demand and excellent profits from slimmeddown banks would allow them to build up huge amounts of excess capital. That would be good for bank shares," he notes. "But unfortunately the world does not work that

way."
Instead, he predicts that rising competition will squeeze bank margins severely by the latter half of the decade. Others worry that bulging bank coffers will propel bank bosses in dangerous directions. Merrill's Mr. McEwen notes that most British banks are already on the prowl for acquisitions. In Britain too many bankers

Continued from Page 17

"It is far better to have a bigger win business away from Eubank than a richer sharehold-rope's largest universal banks."

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"It is far better to have a bigger win business away from Eubank than a richer sharehold-rope's largest universal banks."

More sanguine observers predict that European banks will follow the pattern set by many U.S. banks in recent months. There, a surge in bank profits and a lack of profitable outlets for accumulated earnings has led many banks to shell out a portion of those gains in the form of higher dividends and share buy-back

On a cautionary note, the recent and long-awaited revival in the demand for bank credit in America has been seized upon with excessive zeal by lenders. Late last month, the chairman of the Federal Reserve Board, Alan Greenspan, noted in Congressional testimony that bank lending standards were already falling.

In Europe, banks also face rising pressure on the liability side of their balance sheets. In France, notes John Raymond, a director of IBCA, the bank-"have been hit by the growth of mutual funds." Similarly, he points out that German banks now face growing competition for deposits from the newly legalized money funds. Europe's banks also face

growing competition in the corporate lending market. Revitalized American banks have been pouring back into the European lending market in recent months, helping to drive margins on large corporate lending from a high of 100 basis points last year to virtually

nothing at present.
In addition, big American merchant banks, led by firms like Goldman Sachs and Morstill believe that, as he puts it, gan Stanley, have continued to

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notes David Hunt, a partner at McKinsey & Co. in London, those banks still dominated

their national markets. Now, he says, "while the largest bank in each market is holding its own, the second-tier banks are getting beaten back severely." With an array of products that outstrips anything that all but the largest European banks can offer, and with access to the capital markets around the

globe that virtually none can match, the Americans are stealing ever-increasing slices of the European large corporate market. Even worse, Mr. Hunt labels past attempts by European banks to move into merchant

banking by targeting specific products such as Eurobonds "a recipe for disaster." Whereas merchant bankers

excel at moving capital and staff into new, hot products and out of areas that have become mere commodity ser-vices, commercial banks typically cast multiyear plans in stone. "This is not a business where 10-year plans get you anywhere," insists Mr. Hunt.

As recently as five years ago, lending opportunities, analysts express little surprise at investors' unwillingness to snap up the banks' shares. After a robust run last year in which British bank shares for instance outperformed the market by 35 percent, the tide has turned with a vengeance.

Powered by rising interest rates in the United States, European bank stocks underperformed their respective national stock markets by an amazingly uniform 10 percent in the first half of this year.

The mood has definitely changed, said Goldman's Mr. Barrett. "People have gone off the banks in a big way," he said. Overhanging the market are fears that in the mature banking markets of Europe, where overcapacity is still the rule, banks face an increasingly fractions future.

"The outlook for traditional lending in Europe is not nice," said Stefan Arrouays, an analyst for Barclay's deZoete Wedd in Paris.

ERIK IPSEN is the London cornywhere," insists Mr. Hunt. respondent of the International With European facing so Herald Tribune.

For Japan, Bit Parts?

Continued from Page 17

creating a drag on profitability

and many lost opportunities.

Without doubt, the experience of the bubble and a slowly liberalizing regulatory envi-ronment is making Japanese bankers more concerned with risk-assessment and profitability. Fuji Bank, for example, says 100 percent of its corporate lending is priced according to risk. Mitsubishi Bank and Sanwa Bank use creditrisk pricing for 25-30 percent

of their loans. Japanese banks are trying to balance risk and returns. said Yoshinobu Yamada, an analyst at CS First Boston.

But many banks, including Sakura Bank, one of Japan's biggest, have yet to factor in risk in setting interest rates on loans. That may limit the extent to which other banks can price loans higher for riskier

The attitude towards credit is still very Japanese," said Ms. Ogawa, "Banks never look at the intrinsic ongoing value of a client. It's all 'do you know

somebody we know, do you have collateral? If so, we can give you a loan."

At the same time, although the Finance Ministry's policies may be containing the problem and providing stability, bank managers are being kept busy with the protracted procedures and have little time left to de-vise more innovative strategies or new financial instruments. Moreover, the ministry con-

tinues to prohibit the banks from entering lucrative businesses such as selling mutual funds or insurance products or issuing credit cards. Banks have been permitted to enter the securities business, but restrictions and excessive competition in the field will ensure that this remains a small aspect of their business for years.

The biggest global advan-tage of Japanese banks is that they sit in a market that has too much money — that's it," Ms. Daniels said. "They're not. competitive for new products or financial expertise."

STEVEN BRULL is the Tokyo correspondent of the Interna-tional Herald Tribune. Firms See

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Global Banking and Finance A Special Report

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By Conrad de Aenlle TOCKHOLM — The long convalescence of the Scandinavian banknavian economies.

ing system is nearly completed. The staggering vol-ume of bad loans, which put a number of banks into insolvency, forcing government rescues, has mostly been written off the books. Banks are profitable again and, with their balance sheets back in decent shape, many are looking to ex-

pand at home and abroad The last year has been an especially good one. Swedish banks, for instance, suffered credit losses totaling 120 billion kronor, or about \$15 bil-lion, in 1992 and 1993. This year, by contrast, the major banks are making money.

Banks in Denmark largely escaped the fate of their northern neighbor. Although the four largest banks all lost money in 1992, the losses were genrally mild, and recovery was speedy. The exception was the country's second-largest lender, Unibank, which managed to lose money three years running, culminating in 1992 in a record loss for the Danish

banking industry.

Norwegian banks were the first in the region to climb into the bale and they are leading their hole and they are leading the way out as well, banking analysts say. "They started recovering last year and turned from large losses in 1992 to profitability last year; '93 was their best year ever," said Sigmund Halland, who follows Scandinavian banks for Enskilda Securities. He noted that Christiania, which he called "the most bankrupt of all of them," and Den norske Bank, the country's largest, had raised money through new

> Den norske reported net income in the first half of 1.5 billion kroner, or about \$215 million, compared with 942 million kroner for all of 1993. In the two years before, the bank lost a combined 7 billion

The laggards in the region Pare Finnish banks. The commodity-based economy suffered the most severe downturn, and banks such as Postipankki and Kansallis-Osake have shown losses for three straight years.

Through their convulsive ups and downs, banks across Scandinavia — and their depositors, shareholders and govcrnments - have been the victims, and lately the same set of economic and regulatory circumstances.

Nordic banks had always been tightly controlled. They

too much risk or to make too much money. Then, in the 1980s, came the first wave of deregulation. Loan demand shot up, and so did the Scandi-

Nordics Firmly on the Road to Recovery

"Banks were not used to being competitive in market terms," explained Patrik Tillman, an analyst at the broker-age Alfred Berg. "The way to increase market share was to make real estate loans."

The banks went on a lending binge, with quantity counting more than quality. Not only banks, but insurers and other finance companies, started to make loans with reckless abandon. With so much money being pumped into the property market, prices shot higher.

Then the bubble burst. Currency controls were lifted and money started to be sent abroad. The recession came next. Inflation fell sharply. At about the same time, the top income tax rate was slashed in Sweden. The deduction for mortgage interest was not worth what it had been.

All of a sudden, real estate was not a sure thing. Indeed, prices fell by 50 percent in Stockholm. Borrowers couldn't pay back their notes, and the banks were stuck with the bad debts.

The rules for the market had totally changed," Mr. Till-man said of Sweden. "We went from high to low inflation, as the government's aim was to fix the currency" to the stronger currencies in Europe. "Almost a whole industry went bankrupt after a time of huge volume growth."

Although the tide turned too late for many, it did turn. Interest rates across the region plummeted, making the cost of credit cheaper for banks and their borrowers. It also drove up the value of the banks' portfolios of government bonds.

Now the banks are prudent by necessity. The lingering ression in Scandinavia has dried down loan demand in Norway and Sweden. The value of outstanding loans at Den norske Bank, for instance, fell 14 percent during 1993.

During 1993, the value of outstanding bank loans in Sweden declined nearly 20 percent, to 738 billion kronor, according to the government statistics bureau. Much of that decline was due to the debts of insolvent banks being wiped off the books in bailouts. Elsewhere, loan business is

holding up. The portfolios of Denmark's two biggest banks, Den Danske and Unibank, increased during 1993, although they are off from their peaks in 1990. Finnish banks have had strong year-to-year increases.

U.S. Firms See Mergers As Move Back to Basics

Continued from Page 17

strategy is more sober. Henry Kravis, the raider who paid more than \$25 billion for the tobacco and food conglomerate RJR Nabisco five years ago in a move so audacious it was chronicled in newspaper headlines, a book and a movie, took over the ailing Borden Co. this month in an unheralded stock

Mr. Kravis's partnership, which invests money for institutions, had so revived RJR Nabisco that he was able to trade \$2 billion of its stock for a match with all of Borden. The company, founded in 1858 by the inventor of condensed milk, is spread so thin in downmarket areas of dairy, food, chemicals and even glue that it was unable to turn a profit last

year on \$5.5 billion in sales. Other seasoned veterans of the 1980s have returned to the negotiating table with the skills that made them rich in the 1980s but not the junk-bond financing with interest payments that almost sank some of the conglomerates they created. American Home Products plans to raise money from a credit line syndicated through Chemical Bank to buy out American Cyanamid's shareholders for \$9.7 billion in cash, then sell off its agricultural and pesticide units to create a pharmaceutical and patent medicine giant.

American Home was advised by Eric Gleacher, an attack dog for Morgan Stanley's mergers in the 1980s who now runs his own New York boutique backed by Deutsche Bank and its British arm, Morgan Grenfell. His principal role, like many of experienced dealmakers of the 1980s, was to bring the disparate and often warring companies together and take charge of tough negotiations - and that is one reason he is less prominent; hostile takeovers are few.

Friendly mergers are the overwhelming majority, and the currency of choice is common stock. Low prices make mergers more attractive when the aim is buying market share to take advantage of a growing

economy — or, in the case of the defense industry — a

shrinking one.

So far the year's biggest merger is the \$11 billion exchange of stock to merge Martin Marietta Corp. and Lock-heed Corp., the nation's second and third largest weapons makers. The goal of the ager is to offer a full line of aviation, aerospace and avion-ic gear not only to the Pentagon but also to buyers abroad in competition against statesubsidized national champions. To the degree that governments subsidize their own domestic producers, vowed Norman R. Augustine, Martin Marietta's chairman, "we are going to make it more costly

for them by cutting our costs."

Many other mergers have the obvious theme of size and back-to-basics themes. Burlington Northern Inc. and Santa Fe Pacific Corp. are swap ping stock valued at \$4.2 billion to create the largest railroad company in the United States, covering most of the United States west of the Mississippi River. American Express Co., pulling back under new management from a de-cade of ill-conceived expansion into financial services agreed to buy the 400 U.S. travel offices and corporate travel division of Britain's Thomas Cook Ltd. for \$375

And in a corporate version of the film "La Ronde," Bayer AG of Germany will buy the over-the-counter operations of Sterling Winthrop Inc. in the United States and Canada for \$1 billion. Sterling's worldwide operations had been acquired by Eastman Kodak Co. during the merger mania of the 1980s, then sold to SmithKline Beecham PLC, the British-American pharmaceuticals company, for \$2.9 billion when Kodak decided to stick with optics. For Bayer, it meant regaining its own trademark in the United States for the first time since its U.S. operations were seized almost 80 years ago as enemy property during World War L

LAWRENCE MALKIN IS New York bureau chief of the International Herald Tribune. have been dressed up, it is a case of being all dressed up with no place to go.

"All banks are overcapitalized," Mr. Tillman said. "As long as they don't have high loan demand, there's not much they can do."

What they have been doing is what American banks in the same situation have done for the last few years - playing the yield curve. The spread between long- and short-term interest rates has been so large that banks can make good money paying their depositors at the prevailing low short rates, then buying generously yielding government bonds.

They have also been throwing some of that capital around to make acquisitions and improve their operations. SE Banken has opened branches in Oslo and Helsinki and is about to launch a 24-hour retail banking phone service. Handelsbanken has bought some smaller banks in Norway and is interested in expanding further in the region.

Mr. Tillman said that, rather than using their capital to make loans, banks are trying to boost fee income by selling long-term savings products,

If the banks' balance sheets much as American banks have embraced the mutual fund business. Such caution is warranted. Even though the percentage of bad loans has failen. he noted, it is still well above the levels that healthy banks

are used to. "The first year of normal credit losses is going to be 1996, even if this year is going to be better than last," Mr. Tillman said. "It's a very mixed picture,

For Swedish banks, there is also the risk of a further slowdown in the local economy, especially with the victory last month of the Social Democrats. They have pledged to raise taxes to reduce the gaping budget deficit. That could mean less disposable income. On top of that, interest rates have risen sharply this year. But bankers remain optimistic, if wary.

"It's quite evident that the risks of operating in this environment are getting higher mainly due to outside factors," said Lars Isacsson, chief financial officer at SE Banken, "But we can say the crisis is over."

CONRAD DE AENLLE writes about business and finance from

How One Bank Turned Itself Around

→ TOCKHOLM — SE Banken seemed like just another of the casualties when it asked for state aid early last year to cope with loan losses from the collapse in Nordic

But SE Banken, Sweden's second-largest bank, got a lift from a sharp fall in interest rates and found that it could weather the storm on its own. The bank withdrew its appeal for aid.

Having survived that ugly episode, SE Banken went on a health kick. It sold off assets and sharply cut lending to boost the bank's capital-to-assets ratio. It streamlined operations and decentralized decision making in an effort to make the bank more efficient and more responsive to its retail customers.

The regimen has been successful, but not entirely. The value of its loan portfolio fell by nearly 20 percent, to 247.7 billion kronor, or about \$32 billion, in the year through June; its net problem loans fell by more than half, to 10.7 billion kronor, in the same period.

"Our balance sheet and lending have come down substantially," said Lars Isacsson, chief financial officer. "It has come down much further than we thought because loan demand is way down."

Still, net bad loans account for 4 perent of outstanding loans, a figure that Mr. Isacsson said "must come down to a lower level" for the bank to feel as though it had made a complete recovery. And he conceded that the bank had not ken. SE's larger rival which remained liked. Costs rose 6 percent in the year through June.

But the key number is net income, which in the first half was 2.2 billion kronor, more than triple the gain for all of last year. The bank showed a loss in last year's first half. The reduced lending and return to profitability have boosted total capital to 13.9 percent of assets from 13 percent at the end of last year.

Much of the credit for SE Banken's recovery goes to the chief executive. Björn Svedberg, who was brought in from the LM Eriesson AB telecommunications concern

"He's tough. He changed the culture of the bank," said an analyst who follows SE Banken. "It had a reputation for being a posh bank, now it's more efficient. They have positioned themselves to be a modern bank."

To try to set things right, the bank decided to concentrate on its core commercial and retail businesses. It gave up on its ambition to become one of the largest fund-management companies in Europe, and it sold off a number of assets, including its Swiss bank and stakes in its mortgage and finance units, and a couple of foreign banks.

SE's mission now is to take advantage of the market share it has gained on weaker banks while not getting into a costly battle with Svenska Handelsban-

cut expenses as much as it would have profitable for most of the crisis. The strategy is to build up business abroad, especially in the other Nordic countries. which SE Banken would like to think are part of its home market. The bank recently opened branches in Oslo and Hel-

> "In the next year, it's important for us to get things going in the branches in Norway and Finland so profitability will be improved," Mr. Svedberg said.

> SE Banken would also like to expand its presence abroad to better cater to its large corporate clients. It already handles close to half of the foreign exchange trading done in Sweden and has more than half of the market in international payments. Such services can be extremely profitable without using up any of the

> bank's capital. There are still some mine fields to be steered around. Interest rates have lately headed back up. And there is new competition in the investment banking sec-

But SE Banken's executives say the credit calamity has made them better able to handle new difficulties. "At times it's good to have a crisis," Mr. Svedberg said. "It was a purgatory, a process that changed the culture and made it a better. more efficient bank."

Conrad de Aenile

If you can't make it to the end of the test, your company may not make it to the end of the decade.

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1. Do you have as many customers as you want?

Can a bottom line be too healthy? Of course not. And neither can a growth-oriented company have too many customers. They re the engine that generates revenue.

2. Are your customers as loral as you want?

☐ Yes ☐ No

It's one thing to gain customers. It's another to keep them. The strength of your business depends largely upon your ability to sustain a relationship

ner as you want? ☐ Yes ☐ No A critical component of business growth is reased sales content. To maximize each business

3. Do you generate <u>as mach</u> business from each

opportunity, you need a way to leverage your entire organisation - to bring it totally to bear at the point of amer contact.

4. Do you <u>real</u>ly know what your customers want?

☐ Yes ☐ No

Are you alert to every product your customers could use? Every service that might interest them? Every transaction they're prepared to make? Every sale they'd allow you to follow through? Are you thoroughly plugged into your market?

5. Does your gating organisation know what your Customers want?
☐ Yes ☐ No ner orientation tras-limited value unles

it's embedded in the very beart of an enterprise-at all levels, and at every place that directly or indirectly involves the customer. 6. Is your information strategy <u>focused</u> on

beiping you hear what customers and markets are trying to tell you?

The next best thing to reading your customers' minds is listening to what they're saying. But imless you're constantly tuned in to customers' signals. you're missing messages that could guide you to greater results for your business.

7. Can your organisation respond quickly to what. castomers and markets are telling you?

When the flow lines of your information system are not within your customers' reach, you won't always sense when opportunity knocks. But even if you do, getting the message is not enough. If you can't reply rapidly to market signals with information products and services, revenue opportunities are lost.

3. Does your information strategy enable the proactive delivery of information to your

☐ Yes ☐ No

Many business plans underestimate the power of information to build customer relationships. But imagine the advantage of an information technology strategy that transforms information into orser-generating, revenue-generating fuel.

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Saints Shock Giants as Eagles Crush 49ers

Compiled by Our Staff From Dispatches

Two of the National Football League's mightiest teams — the New York Giants and the San Francisco 49ers — came crashing to earth Sunday,

stunned by seemingly lesser rivals.
In New Orleans, New York (3-1) was knocked from the unbeaten ranks leaving the idle San Diego Chargers alone in that category - by an overpow-

NFL ROUNDUP

ering Saints defense. New Orleans had seven sacks and James Williams had a 33-yard interception return for a TD.

We all went out there determined to do whatever it took," Williams said after his first-ever touchdown. "I was just out there to buy time, and the next thing I knew I had the football and a clear shot at the end zone.

The Saints (2-3) held the Giants again playing without injured Pro Bowl running back Rodney Hampton - to 202 yards total and 50 yards rushing.

Eagles 40, 49ers 8: In San Francisco, the game was a rout from the outset. Philadelphia, winners of three straight after an opening loss, took advantage of San Francisco's makeshift offensive line, even driving Steve Young from the game in the third quarter.

William Fuller sacked Young for a safety. Randall Cunningham completed 20 of 29 for 246 yards and two touchdowns, Charlie Garner, in his NFL debut, ran for 111 yards and two TDs.

The 49ers (3-2) sustained their worst Cardinals 17, Vikings 7: In Phoenix, able for Heath Shuler. Reggie Brooks regular-season loss in Coach George Arizona, Buddy Ryan's Cardinals (1-3) and Norv Turner. Seifert's six seasons and worst overall got going about a month later than the since a 49-3 playoff loss at the New York Giants in 1986.

Bears (3-2) won their second straight But we beat the best team we've played. against AFC East teams after two embar- There's no doubt about that." rassing defeats. Their reversal has come with backup Steve Walsh at quarterback instead of the injured Erik Kramer, who

leads the NFL in passing efficiency. But the defense has made the big plays and sparked the turnaround. It held the Bills to 204 yards and forced three turnovers. Buffalo (3-2) was with- yards for Minnesota (3-2). out Thurman Thomas, sidelined with a

and son as head coaches, the old man got his 331st victory as Dan Marino threw for two touchdowns for Miami (4-1).
"We needed this one," Don Shula

"I know Dave needed it bad, too. We a concussion in the third quarter.

were just the better team." The Bengals (0-5) got going quickly, then faded.

"You can't spot the Miami Dolphins five turnovers and expect to have any chance to win the football game," said the younger Shula, Dave. "We're never going to get to the point where we're going to win a football game if we make

the mistakes that we do."

Marino was 26-for-35 for 204 yards.

coach expected. ork Giants in 1986.

"I knew it was going to be there,"

Bears 20, Bills 13: In Chicago, the Ryan said. "I just didn't know when.

> The Cardinals forced four turnovers and yielded just 18 yards on the ground. "Nobody runs on us, no matter where we are," Ryan said. "The '85 Bears, the Eagles, the Oilers, nowhere — not even

Dallas next week. But Cris Carter had 14 catches for 167

Falcons 8, Rams 5: In Anaheim, California, a battle of substitute quarter-backs went to Atlanta, which had its Dolphins 23, Bengals 7: In Cincinnati, backs went to Atlanta, which had its in the first professional match of father second stringer. Bobby Hebert, going against third-stringer Tommy Maddox of the Rams (2-3).

Hebert's 13-yard pass to Ricky Sanders with 3:14 left was the game's only said, then, referring to his son, he added: touchdown. Starter Jeff George left with

The Rams lost their No. 2 quarterback, Chris Chandler, with a sprained ankle; their starter, Chris Miller, already was out with a shoulder problem.

West lead at 3-2.

In earlier games, reported Monday in some editions of the Herald Tribune:

Dallas jumped to a 31-0 halftime lead, getting two TDs from Emmitt Smith before he left with a strained hamstring. Troy Aikman went 20-for-28 for 181 yards, one TD and one interception.

Shuler, making his first NFL start, completed just 11 passes in 30 attempts for 96 yards. Brooks lost two fumbles, setting up 10 points for the Cowboys, and was benched by Turner, who was the Cowboys' offensive coordinator in their last two Super Bowl seasons.

Patriots 17, Packers 16: A wild ending in Foxboro, Massachusetts, gave the Patriots (3-2) their third straight victory and dropped Green Bay to 2-3.

Green Bay went ahead on Reggie

Cobb's 1-yard run with 1:14 left. Chris Jacke never got a chance to kick the extra point as holder Craig Hentrich couldn't handle a low snap.

Then Jacke bungled the ensuing kickoff. and the Patriots marched to set up Matt Bahr's 33-yarder with four seconds to go.

Buccaneers 24, Lions 14: In Tampa, Florida, Vernon Turner returned a punt 80 yards for a TD, the first time in their 18-year history the Buccaneers (2-3)

Atlanta moved into a tie for the NFC

Atlanta moved into a tie for the NFC

Vest lead at 3-2.

In earlier games, reported Monday in the seasons, setting up the game-clinching TD in the third quarter. Barry Sanders, the NFL's Cowboys 34, Redskins 7: In Washing-leading rusher, had 166 yards on 20 ton, the Cowboys (3-1) made life miser-carries for Detroit (2-3). (AP, AFP)



Philadelphia's Charlie Garner leaping over San Francisco defenders for a touchdown.

NHL and Union To Meet Tuesday

Compiled by Our Staff From Dispatches TORONTO — The National Hockey League commissioner, Gary Bettman, and the players union chief, Bob Goodenow, have agreed to resume negotiations Tuesday in an effort to get

the hockey season started by

Oct. 15. moved to a neutral site.

Bettman and Goodenow not say what else the two discussed in their call.

"We have wide differences, work ahead of us if we're going games.
to put this thing together." Depe

out and the first two

While owners and players are one mostly agreed on minor issues such as reducing the number of not rejecting the players' pro-rounds in the draft, they are far posal but instead placing the

apart on the big issues. disagreement concern revenue made to look responsible for sharing to help small market their own lockout. teams, a salary cap for rookies,

salary arbitration and free

agency.

Faced with a lockout on opening night last Saturday, the players proposed that the season begin on time and be played in its entirety, under the expired collective bargaining agreement, with the players pledging The talks likely will be in not to strike and the owners New York, although a time has pledging not to lock out the not yet been set. A league offi-players and to restore the eco-cial has suggested they be nomic benefits Bettman took away before training camp.

The Board of Governors was spoke by telephone Sunday on expected to reject the proposal what was supposed to be Day 2 outright but instead developed of the 1994-95 season. An NHL its own twist. Betiman anspokesman, Arthur Pincus, did nounced the next day that he was postponing the start of the season to Oct. 15, giving the two sides an additional two weeks no doubt about that," Goo- to negotiate an agreement bedenow said. "We have a lot of fore the season might lose

Depending on the pace of ne-Talks broke off last Wednes- gotiations, the commissioner day and the league has pushed said, he would decide in the back its deadline for a collective interim whether or not to open bargaining agreement to Oct. the season on the new target 15. In the meantime, the players date. He preferred to have a weeks of the season have been but he conceivably could accept the players' proposal without

With that move, Bettman was part on the big issues.

Players have been without a conus of negotiations on them. If they didn't begin meeting right contract since before the 1993- away or if they stalled when 94 season. The main points of they did meet, they could be

(AP, NYT)

Waiting for the Game That Went Away

Taking Charge Just Before Baseball Strike, New AL President Feels the Void

By Claire Smith

New York Times Service NEW YORK - Gene Budig may be in the most peculiar position in majorleague baseball. As the president of the American League of Professional Baseball Clubs, formally speaking, he has come into the major leagues and immediately had the most important element in his title snatched away.

There's simply no baseball there for Budig. Not since Aug. 12, when the players in the American and National Leagues went on strike. For Budig, it was like being appointed as Gary Cooper's deputy at one minute past high noon, like being hired as Nero's chief violin maker after the smoke was, indeed, followed by fire.

Budig, who left his position as chancellor of the University of Kansas to succeed Bobby Brown as league president on Aug. 1, should have been preparing to crown an AL champion this week. He prepares, instead, for the great unknown, a major sports official without a sport, the irony of which hits him every time he walks into the eerily quiet league offices in New York.

"I felt encouraged by my opening days here," Budig said recently. "People game went away, leaving a deafening silence. Nothing was the same."

Nothing, except his self-deprecating humor, his patience, his gentle nature and his unflagging positive outlook.

"I question my timing at times," he said with a smile. "But I am glad that I am here. The game will return. I will be given an expertingity to make a contribution."

an opportunity to make a contribution."

After the briefest of pauses, Budig grew quieter and more serious. He came to baseball because he was so encour-

aged by fellow academic Bart Giamatti. who died while serving as baseball commissioner, and by Ewing Kaufman, the

late owner of the Kansas City Royals. They believed he had something to give a game he loved, Budig recalled; eventually he believed that, too, enough so that he left a university he loved after 20 years in the service of students. Now, there's baseball, or the lack thereof.

So it is that on some days, in some moments, there are limits even for the most patient. Budig is used to achieving and doing. His resume attests to that, as it boasts of three university presidencies or chancellorships as well as two general's stars - the highest rank ever achieved by a nonflier in the Air National Guard, a branch of the U.S. Air Force.

"I've been responsible for \$8.2 billion in public money over the past 20 years and the educational programs of more than 520,000 students," he said. "This is an especially difficult time for me. I came here to make a difference. And everything is on hold. There are many issues that people want to delay discussion on until resolution of the work stoppage."

At least Len Coleman, the president of the National League who was also in his inaugural season, has an all-star game, and an all-star victory, to keep him warm during these long, empty fall days.

Yes, Budig and Coleman do presidential things, such as initiating contract talks with the umpires and their union. "We are very busy people, but there is a real void, like having a university without students," Budig said.

Aside from offering their input and opinions, neither Budig nor Coleman plays a role in negotiations with the play-ers. So while Budig can wish for longlasting peace and a partnership with players, he cannot bring it about.

So he waits. And he reflects, not only on what the game will hold for him, but also about what the game will be like when it returns.

"Baseball is being hurt, and hurt badly, by the uncertainty of the day," he "Fans are distressed. Distressed with all of us associated with the game. They are frustrated. They see something very special at risk."

The loss of the World Series was a devastating blow to those fans and something they never thought would happen, Budig said. But it did.

Budig is certain the fans will return in significant numbers. "But not without some lasting bitterness," he said. "So those of us associated with major-league baseball had better be creative and find new and better ways to be fan-friendly."

Those new ways include not only spirited play on the part of the players, but fair prices and state-of-the-art facilities, Budig said. Exploratory conversations about new ball parks were under way in Seattle, Detroit and Milwaukee.

But now city officials have taken major steps back from baseball because of inty. Though Budig wil not say that the strike has perhaps tabled such initiatives for years, he is concerned how public officials will react. "They are uneasy, they are perplexed," he said. They do not understand what is tran-

Much of Budig's days are spent wondering how to move such issues out of neutral. And keeping regrets at bay. Yes, he misses the university, but Budig, 55, doesn't seem ready to click his heels to return to Kansas.

SIDELINES

Ballesteros Wins German Playoff

BERLIN (Reuters) - Seve Ballesteros defeated Ernie Els, the U.S. Open champion, and José-Maria Olazábal, the U.S. Masters winner, in a dramatic playoff at the German Masters to complete one of the most satisfying victories of his career on Monday.

The Spaniard clinched his 70th tournament title with a brilliant

birdie on the first extra hole at Motzener See, hitting a six-iron across the lake at the 18th to within three feet (a meter) and holing the putt. Els, a South African, had earlier missed a six-foot putt on the same green, leaving the trio level on the 18-under-par total of 270 and forcing them to return to the 18th tee.
Olazabal, Ballesteros's fellow Spaniard and Ryder Cup partner.

and Els could only manage par fours, giving Ballesteros a remarkable victory, given that he was 11 shots adrift of Els after two

"The way I won was great, and who I beat made it even better," he said. "They are the top two young players in the world."

2d Death at World Masters Games

BRISBANE, Australia (AP) - A 63-year-old Brisbane man died Monday while competing in a tennis match at the World Masters Games, the second death in three days at the Games.

A spokesperson said the man collapsed while playing at the Jinadalee tennis center in Brisbane. His name was not released. On Saturday, Vent Hansen, 61, a cyclist from Denmark, died from a massive heart attack after competing in the 16.5-kilometer (10mile) time trial for 60-64-year-olds.

Goalkeeper Kicks the Winning Goal

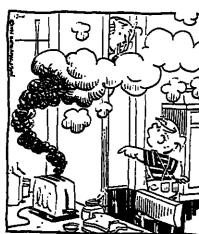
BUENOS AIRES (Reuters) — The goalkeeper of the Argentine soccer league, leader, Velez Sarsfield, scored a last-minute goal on a spectacular 25-meter free kick to give his team a 1-0 victory over Deportivo Espanol

In one of the most remarkable scenes ever witnessed in Argentine soccer, Jose Luis Chilavert, the goalkeeper, rushed from his goal as soon as the kick was awarded outside the Deportivo penalty area. He begged to be allowed to take the kick, arguing furiously with his team captain, Roberto Trotta, who had already lined up the ball. Trotta only gave in when Chilavert refused to return to his goal. Chilavert then blasted an unstoppable shot that left the Deportivo goalkeeper helpless.

For the Record

South Korea will approach the Stalinist North about staging a joint bid to organize soccer's World Cup in 2002, the South Korean culture and sports minister, Lee Min Sup, said on Monday at the Asian Games in Hiroshima, Japan.

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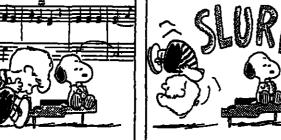
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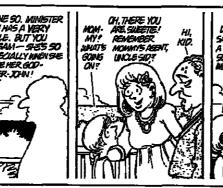




















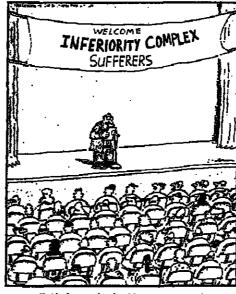




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THE FAR SIDE



to know that you were never actually invited.

BLONDIE

SPORTS

After Crash, French Cyclist Is Gingerly Sprinting Again

LES ULIS, France - Of

course he gets a bit nervous now in the sprint, Laurent Jalabert admitted with a defensive, lopsided grin.
Defensive because sprint-

ers, especially first-rank ones like Jalabert, do not usually say they feel fear when a bicycle race nears its finish and dozens of riders tear for the line together in a bumping, swerving wave.

Lopsided because all his

upper front teeth are missing. He lost them in a sprint. On July 3, at the end of the

first daily stage of the Tour de France, Wilfried Nelissen, a Belgian who rides for the Novernail team, sped toward the finish line in Armentières. One of the French policemen on the edge of the course drifted a lew feet out and tried to photograph the onrushing sprint. Nelissen had his head down, as sprinters do, and the policeman had his eye to the camera's viewfinder. which can distort distance.

Nelissen plowed into the policeman and hurtled to the ground Right behind him. Jalabert, a Frenchman who rides for ONCE, could not avoid the bodies and bicycle and he crashed, too. Behind them, Fabiano Fontanelli, an Italian with ZG Mobili, and Alexander Gontchenkov, a Ukrainian with Lampre, also went down heavily.

Kins German Plans

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¥1,,

Jalabert broke his cheekbones and shattered his front teeth. Bleeding from the scalp, nose and mouth, he did not lose consciousness. Nelissen did, suffering from concussion and face and knee cuts.

"Oh I remember it very well," Jalabert, 25, said this weekend. "Tve watched the videotape but even without it I remember what happened very well." He said he tried to hide his face after the crash so that his wife would not see on TV how badly he was hurt.

Both riders were hospitalized and out of the Tour, where they were among the leading sprint-ers. Nelissen, at age 24 the Bel-

of the fastest men in the sport and Jalabert, not quite so fast but perhaps more savvy, won seven stages in the Vuelta d'España this spring.

accident on video and does

not like to see photographs of

it. He can sound brusque

when asked if he has overcome

"Yes, yes," he answered be-fore Paris-Tours as he fiddled

with his bicycle's rear wheel.

"Everything O.K., no prob-lems." He barely glanced up. The Belgian has competed

in sprints and won them too

since the crash. Early in Sep-

tember he won a criterium,

basically an exhibition race,

in Belgium and then finished

first in the Grand Prix d'Is-

"That felt good," Nelissen said. "But it's a small race,

Paris-Tours is indeed a big-ger race, a World Cup classic that often is decided by a

sprint at the end of the broad,

long Avenue de Grammont in

Tours. So it was again Sunday.

came down the 2,400-meter-

long straightaway and the sprinters were fighting and

swaying for position. About 150 meters from the finish,

Christophe Capelle, a

Frenchman with the Gan

team, was bumped, put on his brakes as he headed for the

steel crowd barrier and lost

went five other riders behind

him. They were all in the sec-

Down he went and down

A few yards ahead, unaf-

fected by the crash, the top

sprinters continued to strain

for the line. Riding in that

group, Jalabert and Nelissen finished eighth and ninth, the

highest-placed Frenchman

and Belgian, as Erik Zabel, a

German with Telekom, won

"I lacked a little juice to finish the day well," Jalabert told a reporter for the French

sports newspaper l'Equipe,

and I've never been so well-

placed for the sprint in Paris-

Tours as I was today."
"Only," he added, "there

are always these little lights

that flash in your head as if to

by half a wheel.

control of his bicycle.

ond wave of sprinters.

The pack was bunched as it

not like this one here."

bergues in France.

the affects of the crash.

The two other riders, Fontanelli and Gontchenkov, walked across the finish line, towing their bicycles. After Xrays, Gontchenkov learned that he had broken his right arm and had to quit the Tour; Fontanelli remained and competed in the next day's sprint,

inishing ninth. After a month off to recuperate, Jalabert and Nelissen have resumed racing and were among the starters Sunday in the 250-kilometer (155-mile) Paris-Tours classic.

"It's long, maybe too long for me," Jalabert said before-hand at his team hotel in Les Ulis, a suburb of Paris. "I still lack a little condition but I've got the morale and maybe that will make a difference."

He regained his morale, he continued, last month in the Tour of Catalonia, when he won a stage for his first victory since the crash. Even better, he won the stage in a sprint. "In a sprint, yes," he re-

peated. The question was delicate: Did he get nervous now in the sprint, especially if he was near the front?

"A little. When a sprint starts to go really fast, when it gets dangerous, for an instant it starts to come back to me. But even if it's difficult to forget, it's over."

"We start sprinting and I can't let it bother me," he added. "What I think about when we start the sprint is that I have to do better than I did in the last sprint."

He shifted in his chair and tugged at his jersey. He had answered these questions before but not often.

"Something like that marks your career," he said. "But you can't let it bother you. My job is still to sprint and win races. That's what I did and I bope that's what I'll continue to do."

Unlike the Frenchman, Ne-

China Sweeps Up 8 Records and 8 Golds

But Japan Gets Games' First Medal

Compiled by Our Staff From Dispatches HIROSHIMA, Japan — Japan, the host nation, won the first gold medal of the 12th Asian Games here on Monday, getting a brief moment of glory before the Chinese juggernaut swept to eight world records.

With the opening ceremony behind them and politics receding into the background, the athletes wasted no time in toppling records, adding three Games marks in swimming to the eight world records set by China's women weight lifters.

The first full day of competition ended with China leading with eight gold medals, two ahead of Japan, whose women won four golds in their national martial arts pastime karate.

The Chinese women won two golds in the swimming pool and three with world-record-break-

ing lifts in weight lifting.
China also picked up golds in
the men's 200 freestyle, men's team gymnastics and in the men's individual foil. Japan's other golds came in swimming and in the equestrian team dres

The day got off to an appropriate start when Hisami Yokoyama won the first gold medal of the games for the hosts, taking the women's individual kata competition in karate.

Yokoyama, from Kobe, overcame a nervous semifinal appearance, to become the maugural winner of an Asian Games gold medal in karate, which is combined - in the 46-kilogram China took the spotlight, win- who beat two Japanese in the But she performed almost

a series of pre-arranged moves against an imaginary opponent to score a total of 48.1 points. But then the Chinese struck. Chinese women weight lifters

rewrote the record book in the latest sign of Beijing's rise in international sport stature. Guan Hong, 20, first shattered all three world records -

snatch, clean and jerk, and



Shan Ying of China after winning the women's 100-meter freestyle gold medal Monday.

making its debut as a sport in the (101-pound) category, despite a

Then Liu Xiuhua, 18. broke flawlessly in the final of the her own three records in the 50-event in which athletes perform kilogram category.

Zhang Juhua brought China's record breaking run to a close, shattering two more world records in the 54-kilogram competition.

In the swimming competition. attention was focused on China's women, who won 12 of 16 events last month in the World Championships in Rome. Unheralded Shan Ying of

ning the women's 100-meter men's 200 freestyle with a freestyle in the third-best time Games record of 1:50.95. ever and edging her teammate Lu Bin, Rome silver medalist.

sat out the race, but is to com-

the veteran Lin Li, five seconds I'll think about retiring." ahead of her world champion women's 400-meter individual the men's 100 breaststroke. medley, and Xiong Guoming.

Lin, who was China's first women's champion at the start

Shan finished in 54.40 sec- of the country's astonishing asonds, a Games record, and Lu cent to prominence in 1991, in 54.42. Their compatriot Le confounded her critics, who Jingyi, the world-record holder, thought she was on her way out. "I've been an athlete for a pete in Saturday's 50 freestyle. long time now," Lin said. "Af-China's other winners were ter the Asian Games are over,

For Japan, Akira Hayashi teammate Dai Guohong in the beat two Chinese swimmers in

gymnastic team eyent — ahead of South Korea and Japan while China's Dong Zhaozhi defeated Japan's Yoshihide Na-gano in the men's foil final.

China can increase its lead Tuesday when there are further finals at the pool — including the women's 200-meter breast-stroke and 200-meter freestyle — and three women's weightlifting finals.

China also is favored in the women's team final in gymnastics, while South Korea will be looking to recover from a slow start after collecting only two silvers and two bronzes on Monday.

Japan will be looking to

maintain its hold on the karate competition — in which four gold medals will be awarded in men's competition. On Monday, Japan reigned

supreme in the event. "It was a wonderful performance," said the Japanese head coach, Katsunori Tsuyama, of the women's team victory.

"I hope our men can do the same." he said.

A total of 337 golds are at stake in the Games. With the addition of karate and other changes to the sports lineup since the last Games, in Beijing in 1990, and the debut of five former Soviet republics, the Chinese are saying their gold total is likely to fall from the 183 four years ago. South Korea had 54 golds and Japan 38 four years ago.

(Reuters, AP) ■ China: Drug-Racism Link

China's sports chief charged on Monday that racists were behind accusations that his world-record-setting athletes used drugs, but he also left open the possibility that some Chinese athletes may have mistakenly taken banned drugs in medicines, Reuters reported.

Commenting on allegations by some Western coaches that Chinese swimmers and athletes take drugs, Wu Shaozu, president of the Chinese Olympic Committee, said, "I think to some extent it is racism."

He said if a Western athlete was found to have taken drugs, the individual was blamed, not the country as a whole.

"People don't blame Europe ans when they are found doping The Chinese won the men's only we are blamed," Wu added.

In Europe, Falling Soccer Champs

Reuter LONDON - It could be because of the demands of the European Champions' League, or just the vagaries of form and luck, but none of the teams who won last season's major soccer leagues are leading their domestic champion-ships after this weekend's action.

AC Milan, the defending European champion, is fourth in the Italian league, three points behind Parma, the leader. Barcelona, beaten in last season's Champions' Cup final by Milan, is ninth in Spain. Bayern Munich is fourth in Germany, Paris St. Germain sixth in France and Manchester United fourth in England.

AC Milan, seeking a fourth straight domestic title, returned to form with a 1-0 victory over Brescia following last week's loss to Cremonese. Marco Simone, who scored twice in Wednes-

day's 3-0 Champions' League triumph over Salzburg, was on target again, but Milan's next big fixture may not prove to be quite so productive. The club faces a UEFA hearing on Thursday following a bottle-throwing incident in which Salzburg's goalkeeper was hit on the head. The Italians may be ordered to replay the match.

Parma beat Torino 2-0 to stay in first place on goal difference, ahead of Roma. Barcelona and its rival Real Madrid were both

surveying the wreckage of defeats. Johan Cruyff, coach of a Barcelona side beat-

14 Of grand

16 North Sea

t5 Flushed, as the

en 2-1 at Real Zaragoza, blamed his players fo lack of effort and concentration. This is the kind of game we shouldn't lose eve

if we wanted to," he said. "People seem to thir they can play at half speed and still win matche They can't! If you have eight scoring chances yo have to take advantage of some of them." Real Madrid's coach, Jorge Valdano, w calmer about his side's 1-0 loss at Sporting G

jon, which knocked them off the top. "The result in no way did justice to the way w played," Valdano said at the end of a game that Madrid dominated throughout, only to fall to shock goal four minutes from time.

Bayern Munich's uncertain start to the seaso continued as the club fought back from a two goal halftime deficit to draw 2-2 at Cologni Christian Ziege and Alexander Zickler scored for Munich, which with Karlsruhe and Kaiserlau tern, is one point behind joint-leaders Werde Bremen and Borussia Dortmund.

Goals from Francis Llacer and the Brazilia midfielder Rai gave Paris St. Germain a 2victory at bottom-of-the-table Caen, but PSC remains seven points behind Nantes, the unbear en league leader.

Manchester United played lethargically Saturday and had to rely heavily on an outstanding performance from its Danish goalkeeper, Peter Schmeichel, to beat last-place Everton, 2-0.

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he Top Twenty Five teams in The Associal Press college football poil, with first-ce vates in parentheses, records through 1, total points based on 25 points for a first Florida (39) Nebrosko (13)
Nebrosko (13)
Florido St. (4)
Penn St. (2)
Colorado (3)
Arizma (1)
Michigan

> Baylor 38, Southern Cat 38, Principle 35, Michigan State 32, Brigham Young 18, South Carolina 18, Purdue 11, Georgia 12, Bowling Green 7 **CFL Standings**

ESCORTS & GUIDES

Asian Games

Japan, 56.67, 488-Meter Individual Medicy — 1, Lin Li,

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Chen Jianhons, China. 1:03.94.
209-Mefer Freestyle — I. Xiang Guomins.
China, 1:50.95; 2. Talhel Meeda, Japan,
1:51.08; 3. Kazunori Hikida, Japan, 1:52.75.

Japan I. United Arab Emikrani 0. GYMNASTICS Men's Team Final - 1. Ching. 285 400: 2. South

Karea, 283.575; 3, Japan, 281,550; 4, Kazakh-slan, 276,175; 5, Thalland, 254,550, KARATE

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FIELD HOCKEY South Korea 4. Uzbekistan 0 TENRIS Women

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Santilla 0, Attornes 0

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BASEBALL National Leagu

""PRETTY WOMAN ***

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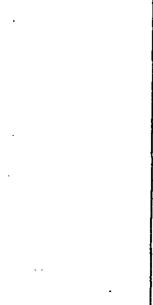
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Forget Campaigning

WASHINGTON — The O. J. Simpson trial has ramifications far beyond deciding the destiny of one man. It's taking up the time and attention of most American citizens. and even those who vowed that they would never watch this circus are glued to their television

Unfortunately, the trial is being played out this fall when many of our

finest citizens are running for election as governor, senator, representative and game warden. It will be impossible for any candidate to make an impact on the

Buchwald electorate when all the voters want to see is who has the best DNA expert.

Here's how the campaigns will be waged this year: "Sir, we ve just been canceled off 'PrimeTime.' They're going to replace you with the sales-man who sold O. J. Simpson the

"That's a tough break. I guess I'll have to go with Larry King." 'That's also been canceled. He is all set to interview Judge Ito's barber for the full hour."

white Bronco.

"This is ridiculous. I'm running for the Senate and all the media are interested in is a murder trial. What gives with David

£4.2 Million for Victoriana

Reuters LUDLOW, England — A trove of Victorian memorabilia which lav in the attic of a stately home for more than half a century sold for more than £4.2 million (\$6.6 million). Sotheby's said the sale of items from Stokesay Court was the biggest such sale in Britain in a decade. in the polls."

"His people are holding back on using us until they hear from Robert Shapiro's relatives. The producers want to build the show around the human side of the trial. I think we should give up on television and concen-

trate on radio." "All right. Can you book me on Don Imus?" "No way. He is devoting the

month of November to talking to the members of the L.A. police department who searched O. J.'s home. Rush Limbaugh is discussing the O. J. case as it relates to prayer in school and abortion. He says he has all his guests lined up, and every one of them happens to be from the extreme right."

"Forget radio. What about my political rally at the Rose Bowl in Pasadena?

"We can't get anyone to come. The mistake was to book it at the same time that the prosecution is introducing the bloody glove as evidence. You could be speaking to an empty stadium.

"Isn't there anything I could do to campaign without running into an O. J. conflict?"
"I doubt it. We tried to buy some time on 'Geraldo' to air

our commercials, but they said that they were completely sold out because of the trial. The stations can get twice as much money selling spots with pro-grams devoted to crime and punishment than they can discussing honest government and lower taxes. If I were you I'd show up at the Simpson trial and start shaking hands with the people in line. If we're lucky we could get a sound bite on the 'Today' show.'

"Is my opponent having as much luck as I am?"

"Not exactly. He held a town hall meeting on the San Diego Freeway where O. J. made his drive, and he went up 43 points

The Sad, Off-Camera Story of 'Willy' the Whale

By Ted Bardacke

Washington Past Service

EXICO CITY — At the end of Methodore, Willy the killer whale swam off to freedom. Keiko. the star of "Free Willy," suffered an unkinder fate.

The 3½-ton whale spends his days endlessly circling a pool so shallow he has trouble remaining submerged. Three times a day, 15-year-old Keiko does a few halfhearted tricks as part of a lackluster marine mammal show at Reino Aventura, the Mexico City amusement park that has owned him for more than a decade.

now too big for his tank. He is sick with a herpes-type skin infection called papilloma, he is dangerously underweight, and his teeth either never matured or are being worn down by their constant contact with the pool's inhospitable walls and bottom.

Keiko is not the only one with a problem. With the killer whale still in captivity, Warner Bros., the studio behind "Free Willy," has a public relations disaster swimming around in a Mexico City fish tank. Not only has the studio been unable to follow through on its promise to make the film come true and let the whale go, but Keiko is slated to star - via outtakes from the first film and through robotics - in a sequel, "Willy II: The Return Home," due to be released next summer. If Keiko is still languishing south of the border while in the sequel Willy is out in the wild saving his family from the disastrous effects of an oil spill, the new movie could draw more protests than view-

Since "Free Willy" was released more than a year ago — raking in more than \$100 million — Warner Bros. has spent more than \$1 million on studies and consultants in an attempt to get Keiko at least into a new home and out of the public eye. Robert Friedman, head of worldwide advertising and public relations at Warner Bros., claimed that "we are very close to a solution. Keiko will be moved to a new wonderful home where the idea of release can be pursued and he won't be in a performing

But Reino Aventura is adamant

about not paying the \$12 million to \$15 million it will take to move Keiko. Warner says it will put up a considerable portion of that sum but the park's Pinkye Morris says the studio should take full responsibility. "They have made a lot of money on the film and only paid us \$75,000, and now we have to deal with all this bad publicity. Warner should cough up the dough,"

At least four plans to move Keiko have fallen through since the movie was released. And the studio cannot promise that Keiko will be in a new home by the time "Willy II" makes it Captured at the age of 2, Keiko is to the theaters. Yet if a rehabilitation plan for Keiko is moving forward, for the public "Willy will have been freed at least psychologically" and Warner's problem will be significantly lessened. Friedman said.

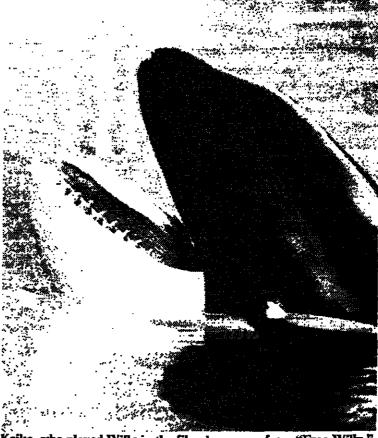
Unfortunately for Warner Bros.. and Keiko too, the acrimonious dispute among marine biologists and environmentalists about what to do with the whale is far from resolved. A captive killer whale, or orca, like Keiko has never before been released back into the wild, and some apparently would like to keep it that way. As a result, the whale remains here, enmeshed in opposing political and pub-lic relations agendas, each claiming that goodwill and scientific certainty are on its side.

There is general agreement on one thing: Keike is sick and will eventual-ly need to be moved or his skin condition will deteriorate, perhaps fatally. More than haif or the oreas that have died in captivity have been felled by

Still, the U.S. National Marine Fisheries Service "has received no reports that Keiko is in an emergency situation where he needs to be transferred immediately," according to agency spokesman Scott Smullen. The NMFS must extend an import permit for Keiko if he is to be moved to the United States. and therefore monitors the whale's veterinary evaluations.

So the rush to do something seems rooted less in concern for Keiko than in the deep emotional response generated by the movie, and the contrast between its mythical ending and the whale's real-life fortunes.

An average of 6,000 people a day,



Keiko, who played Willy in the film, in a scene from "Free Willy."

most under the age of 12, pack an outdoor amphitheater and watch Keiko perform here, his reputation augmented by the briskly selling Tshirts and banners that read "Keiko Is

Five-year-old Arturo Lopez, who owns a copy of the movie on video, sat on the edge of the pool petting the whale after the show. "The part of the movie I like the best is when he jumps into the ocean at the end and swims away. T.:a: would be neat to see for real," he said.

One of Keiko's main trainers, 22year-old Carla Corral, explained that the whale is very used to having people around. Under her watchful eye Keiko slowly rolls on his side so visitors can stroke his rubbery underbelly.

He sometimes squirms when he is

"He is quite ticklish," Corral said, "and very cuddly, very sociable. He really likes to be in on the gossip, to be talked to and to know what is going

It should be no surprise that Keiko likes company. Out in the wild, orcas are family-oriented creatures, forming intense long-term social bonds. Living in family pods of about 15 members. male orcas are known to travel with their mothers until the age of 20. While orcas share a species-wide "language," or set of identifying sounds, each family pod is distinct enough to

have developed its own dialect. Iceland and the northern Pacific in captivity, she said.

coast, oreas can weigh as much as five tons and live into their 50s. They eat just about anything that gets in their way, although they prefer salmon and herring — about 250 pounds (about 155 kilos) a day. And although they o | pok Prices run the same risks from humans and other environmental hazards as do other marine mammals, orcas often shy away from boats and nets and are not classified as an endangered species. Approximately 50 orcas live in captivity around the world, about half of them in the United States.

Keiko's lack of proven hunting, communication and other survival skills are the main barriers to his release back into the wild. "It would be very difficult to reverse the [captivity] situation," said Brad Andrews, direc-Specialistics tor of zoological operations for the Sea World chain of four marine parks in the United States, "Keiko swims with dolphins and sea lions. He is

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WHIRM !! ! And I !!

Deplores Me

supposed to eat them." Though "definitely fiction," there is a "real liberating aspect" to the mov-ie's last scene, said David Phillips of the San Francisco-based Earth Island Institute, which sponsors the 800-4-WHALES telephone information number that appears at the end of "Free Willy." The institute has received 500,000 calls in less than a year. Callers receive a quick status report on Keiko and lots of information

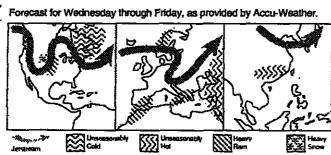
about protecting whales in the wild. While Phillips is pleased that he can use Keiko to sur up interest in envi-ronmental causes, Reino Aventura's Morris seems bewildered by the attention the park is getting as a result of the film. Morris sighed as she went through some of the 800 letters the park receives each week from around the world - California, England, Finand, Germany, Oman — complaining about Keiko's continued confine-

People are frustrated that the endreopie are trustrated that the ending of the movie can't come true, Morris complained, "so they make us out to be the villains" by saying that Keiko's conditions here are as bad as they were in the film. "We want to let him go just as bad as the rest. But we don't ach family pod is distinct enough to ave developed its own dialect.

Concentrated in the cold waters off have a real problem if the whale died before a real problem if the whale died before the cold waters off the cold waters of the cold waters of

WEATHER

Europe



North America Cleveland through Pritisburgh and New York City will have gusty winds and an autumn chill late this week. Altanta through Charlotte will have sunny, pleasant weather Heavy showers and thunder-storms will break out from Kansas to Minnesota. Snow

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overspread London and
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HONEYMOONING at an undisclosed location are Whoopi Goldberg and Lyle Trachtenberg, who were married in a ceremony on her back lawn. Trachtenberg. 38, is an union organizer she met on her TV set. Goldberg, 38, announced her engagement in April on "Larry King Live." She said then: "He's a normal guy, He's got a regular 9 to 5 job five days a week. I've never been out with somebody like that before "Videotate that from believe that before." Videotape shot from helicop-ters over Goldberg's Pacific Palisades home Saturday showed a bride in a white gown and a groom in a tuxedo taking their vows on the back lawn. Steven Spielberg, Arnold Schwarzenegger and Matthew Modine were reported to be Hollywood notables among the 350 guests.

revive an author's \$10 million libel lawsuit against The New York Times for publishcourt let stand on Monday a ruling that threw out Dan Moldea's suit because the comments that were the focus of the suit were "a supportable interpretation of the author's work." The writer sued the Times over a Sept. 3, 1989, review of "Interfer-



PEOPLE

Honnymooner Whoopi Goldberg.

Professional Football." The review, by a Times sportswriter, Gerald Eskenazi, contained some favorable comments but con-

journalism to trust the bulk of this book's 512 pages." The suit said the review "utter-ly destroyed Moldea's reputation as an investigative journalist."

Bill Gates, the Microsoft Corp. chairman, is back on top as the richest American, with a net worth of \$9.35 billion from his software empire, Forbes magazine says. Gates edged the stock tycoon Warren Buffett, with \$9.2 billion, out of the No. 1 spot, the business biweekly said in its annual report on the 400 richest Americans. Forbes said Buffett, 64, kept his company growing, but not as fast as Microsoft.

The creator of the syndicated cartoon "The Far Side," Gary Larson, plans to Press Syndicate said Monday. Larson has drawn his cartoon of the absurd, featuring things like cows in singles bars and bacteria with family lives, for 15 years. The last cartoon will appear Jan. 1. Larson, 44, said his main reasons for retiring were "simple fatigue and a fear that if I continue for many more years my work will begin to suffer or at the very least ease into the Graveyard of Mediocre Cartoons.

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